

**Information incorporated by reference
to the Listing Prospectus dated October 23, 2015,
as supplemented on November 16, 2015,
on February 2, 2016 and on February 12, 2016**

**The unaudited consolidated financial statements of Alcatel Lucent at December 31, 2015 and
related press release.....1-106**

ALCATEL-LUCENT

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2015

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CONSOLIDATED INCOME STATEMENTS

<i>(In millions of euros except per share data)</i>	Notes	2015	2014	2013 ⁽¹⁾
Revenues	(5) & (6)	14,275	13,178	13,813
Cost of sales		(9,132)	(8,770)	(9,491)
Gross profit		5,143	4,408	4,322
Administrative and selling expenses		(1,761)	(1,621)	(1,862)
Research and development costs		(2,378)	(2,215)	(2,268)
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	(5)	1,004	572	192
Restructuring costs	(25)	(401)	(574)	(518)
Litigations		(20)	7	(2)
Gain/(loss) on disposal of consolidated entities		(1)	20	2
Transaction-related costs	(3)	(104)	-	-
Impairment of assets	(11)	(193)	-	(548)
Post-retirement benefit plan amendments	(23)	404	112	135
Income (loss) from operating activities		689	137	(739)
Finance cost	(7)	(269)	(291)	(392)
Other financial income (loss)	(7)	(136)	(211)	(318)
Share in net income (losses) of associates & joint ventures		2	15	7
Income (loss) before income tax and discontinued operations		286	(350)	(1,442)
Income tax (expense) benefit	(8)	16	316	173
Income (loss) from continuing operations		302	(34)	(1,269)
Income (loss) from discontinued operations	(9)	(16)	(49)	(25)
NET INCOME (LOSS)		286	(83)	(1,294)
Attributable to:				
• Equity owners of the parent		257	(118)	(1,304)
• Non-controlling interests		29	35	10
Earnings (loss) per share (in euros)	(10)			
• Basic earnings (loss) per share				
–from continuing operations		0.10	(0.02)	(0.53)
–from discontinued operations		(0.01)	(0.02)	(0.01)
–attributable to the equity owners of the parent		0.09	(0.04)	(0.54)
• Diluted earnings (loss) per share:				
–from continuing operations		0.10	(0.02)	(0.53)
–from discontinued operations		(0.01)	(0.02)	(0.01)
–attributable to the equity owners of the parent		0.09	(0.04)	(0.54)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(In millions of euros)</i>	Notes	2015	2014	2013
Net income (loss) for the year		286	(83)	(1,294)
Items to be subsequently reclassified to Income Statement		386	510	(221)
Financial assets available for sale	(15)	2	8	11
Cumulative translation adjustments		384	503	(232)
Cash flow hedging	(26b/iii)	-	(1)	-
Tax on items recognized directly in equity	(8)	-	-	-
Items that will not be subsequently reclassified to Income Statement		878	(1,568)	1,411
Actuarial gains (losses) and adjustments arising from asset ceiling limitation and IFRIC 14	(23c)	933	(1,822)	1,667
Tax on items recognized directly in equity	(8)	(55)	254	(256)
Total other comprehensive income (loss) for the year		1,264	(1,058)	1,190
Total comprehensive income (loss) for the year		1,550	(1,141)	(104)
Attributable to:				
• Equity owners of the parent		1,467	(1,256)	(99)
• Non-controlling interests		83	115	(5)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(In millions of euros)</i>		December 31,	December 31,	December 31,
ASSETS	Notes	2015	2014	2013
Non-current assets:				
Goodwill	(11)	3,215	3,181	3,156
Intangible assets, net	(12)	1,435	1,011	1,001
Goodwill and intangible assets, net		4,650	4,192	4,157
Property, plant and equipment, net	(13)	1,382	1,132	1,075
Investments in associates & joint ventures	(14)	20	51	35
Other non-current financial assets, net	(15)	361	406	322
Deferred tax assets	(8)	1,740	1,516	1,000
Prepaid pension costs	(23)	2,935	2,636	3,150
Other non-current assets	(21)	509	429	413
Total non-current assets		11,597	10,362	10,152
Current assets:				
Inventories and work in progress, net	(17) & (18)	1,600	1,971	1,935
Trade receivables and other receivables, net	(17) & (19)	2,535	2,528	2,482
Advances and progress payments	(17)	45	43	46
Other current assets	(21)	778	877	751
Current income taxes		64	64	33
Marketable securities, net	(15) & (24)	1,626	1,672	2,259
Cash and cash equivalents	(16) & (24)	4,905	3,878	4,096
Current assets before assets held for sale		11,553	11,033	11,602
Assets held for sale and assets included in disposal groups held for sale	(9)	39	65	142
Total current assets		11,592	11,098	11,744
TOTAL ASSETS		23,189	21,460	21,896

<i>(In millions of euros)</i>		December	December	December
EQUITY AND LIABILITIES	Notes	31, 2015	31, 2014	31, 2013
Equity:				
Capital stock		152	141	140
Additional paid-in capital		21,232	20,869	20,855
Less treasury stock at cost		(1,084)	(1,084)	(1,428)
Accumulated deficit, fair value and other reserves		(16,882)	(17,633)	(14,588)
Other items recognized directly in equity		54	52	45
Cumulative translation adjustments		(36)	(366)	(787)
Net income (loss) - attributable to the equity owners of the parent		257	(118)	(1,304)
Equity attributable to equity owners of the parent		3,693	1,861	2,933
Non-controlling interests	(14d)	904	833	730
Total equity	(22)	4,597	2,694	3,663
Non-current liabilities:				
Pensions, retirement indemnities and other post-retirement benefits	(23)	4,506	5,163	3,854
Convertible bonds and other bonds, long-term	(24)	4,394	4,696	4,711
Other long-term debt	(24)	238	179	211
Deferred tax liabilities	(8)	946	872	990
Other non-current liabilities	(21)	561	175	188
Total non-current liabilities		10,645	11,085	9,954
Current liabilities:				
Provisions	(25)	1,128	1,364	1,416
Current portion of long-term debt and short-term debt	(24)	579	402	1,240
Customers' deposits and advances	(17) & (19)	794	810	681
Trade payables and other payables	(17)	3,578	3,571	3,518
Current income tax liabilities		65	73	93
Other current liabilities	(21)	1,789	1,429	1,237
Current liabilities before liabilities related to disposal groups held for sale		7,933	7,649	8,185
Liabilities related to disposal groups held for sale	(9)	14	32	94
Total current liabilities		7,947	7,681	8,279
TOTAL EQUITY AND LIABILITIES		23,189	21,460	21,896

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In millions of euros)</i>	Notes	Q4 2015	2015	2014	2013 ⁽¹⁾
Cash flows from operating activities					
Net income (loss) - attributable to the equity owners of the parent		589	257	(118)	(1,304)
Non-controlling interests		26	29	35	10
Adjustments	(27)	(175)	729	692	1,479
Net cash provided (used) by operating activities before changes in working capital, interest and taxes	(27)	440	1,015	609	185
Net change in current assets and liabilities (excluding financing):					
Inventories and work in progress	(17)	292	342	(72)	(216)
Trade receivables and other receivables	(17)	64	93	18	138
Advances and progress payments	(17)	(1)	5	4	5
Trade payables and other payables	(17)	61	(227)	(167)	25
Customers' deposits and advances	(17)	(34)	(53)	88	(19)
Other current assets and liabilities		371	275	(35)	34
Cash provided (used) by operating activities before interest and taxes		1,193	1,450	445	152
Interest received		15	66	65	66
Interest paid		(16)	(264)	(290)	(362)
Taxes (paid)/received		(20)	(75)	(93)	(77)
Net cash provided (used) by operating activities		1,172	1,177	127	(221)
Cash flows from investing activities:					
Proceeds from disposal of tangible and intangible assets		19	77	92	36
Capital expenditures		(184)	(580)	(556)	(463)
Decrease (increase) in loans and other non-current financial assets		5	26	19	19
Cash expenditures for obtaining control of consolidated companies or equity affiliates	(27)	-	(109)	(14)	-
Cash proceeds/(outgoings) from losing control of consolidated companies	(27)	-	(1)	84	-
Cash proceeds from sale of previously consolidated and non-consolidated companies		-	34	(7)	3
Cash proceeds from sale (cash expenditure for acquisition) of marketable securities		145	68	617	(723)
Net cash provided (used) by investing activities		(15)	(485)	235	(1,128)
Cash flows from financing activities:					
Issuance/(repayment) of short-term debt		7	(73)	117	(643)
Issuance of long-term debt		-	85	1,143	4,087
Repayment/repurchase of long-term debt		21	(270)	(2,575)	(2,062)
Cash proceeds (expenditures) related to changes in ownership interests in consolidated companies without loss of control		-	-	-	-
Net effect of exchange rate changes on inter-unit borrowings		(41)	(23)	(86)	9
Capital increase ⁽²⁾		53	82	30	965
Dividends paid		-	(12)	(12)	(6)
Net cash provided (used) by financing activities		40	(211)	(1,383)	2,350
Cash provided (used) by operating activities of discontinued operations	(9)	2	11	34	65
Cash provided (used) by investing activities of discontinued operations	(9)	-	30	71	(64)
Cash provided (used) by financing activities of discontinued operations	(9)	-	-	65	(15)
Net effect of exchange rate changes		152	505	633	(292)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,351	1,027	(218)	695
Cash and cash equivalents at beginning of period / year		3,554	3,878	4,096	3,401
Cash and cash equivalents at end of period / year ⁽³⁾		4,905	4,905	3,878	4,096
Cash and cash equivalents at end of period / year classified as assets held for sale		-	-	-	-
Cash and cash equivalents including cash and cash equivalents classified as assets held for sale at end of period / year		4,905	4,905	3,878	4,096

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) Of which €82 million, €15 million and €16 million related to stock options exercised during 2015, 2014 and 2013 respectively (see Note 22b).

(3) Includes €1,505 million of cash and cash equivalents held in countries subject to exchange control restrictions as of December 31, 2015 (€1,019 million as of December 31, 2014 and €756 million as of December 31, 2013).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(In millions of euros except number of shares)</i>	Number of shares ⁽¹⁾	Capital stock	Additional paid-in capital	Accumulated deficit and other reserves	Other items recognized directly in equity	Treasury stock	Cumulative translation adjustments	Net income (loss)	Total attributable to the owners of the parent	Non-controlling interests	TOTAL
Balance at December 31, 2012 after appropriation	2,268,383,604	4,653	15,352	(15,963)	34	(1,567)	(571)	-	1,938	745	2,683
Changes in equity for 2013	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for 2013⁽²⁾	-	-	-	1,410	11	-	(216)	(1,304)	(99)	(5)	(104)
Capital reduction	-	(4,542)	4,542	-	-	-	-	-	-	-	-
Capital increase	455,568,488	23	903	-	-	-	-	-	926	-	926
Conversion of OCEANE 2015	15,658,262	1	47	(1)	-	-	-	-	47	-	47
Other capital changes	10,763,621	5	11	-	-	-	-	-	16	-	16
Share-based payments	-	-	-	19	-	-	-	-	19	-	19
Treasury stock	6,285,811	-	-	(116)	-	139	-	-	23	-	23
Dividends	-	-	-	-	-	-	-	-	-	(10)	(10)
Equity component of OCEANE 2018 issued in 2013, net of tax	-	-	-	66	-	-	-	-	66	-	66
Other adjustments	-	-	-	(3)	-	-	-	-	(3)	-	(3)
Appropriation	-	-	-	(1,304)	-	-	-	1,304	-	-	-
Balance at December 31, 2013 after appropriation	2,756,659,786	140	20,855	(15,892)	45	(1,428)	(787)	-	2,933	730	3,663
Changes in equity for 2014	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for 2014⁽²⁾	-	-	-	(1,566)	7	-	421	(118)	(1,256)	115	(1,141)
Other capital changes	11,878,073	1	14	-	-	-	-	-	15	-	15
Share-based payments	-	-	-	16	-	-	-	-	16	-	16
Treasury stock	11,774,084	-	-	(314)	-	344	-	-	30	-	30
Equity component of OCEANE 2019 and 2020 issued in 2014, net of tax	-	-	-	121	-	-	-	-	121	-	121
Dividends	-	-	-	-	-	-	-	-	-	(12)	(12)
Other adjustments	-	-	-	2	-	-	-	-	2	-	2
Appropriation	-	-	-	(118)	-	-	-	118	-	-	-
Balance at December 31, 2014 after appropriation	2,780,311,943	141	20,869	(17,751)	52	(1,084)	(366)	-	1,861	833	2,694
Changes in equity for 2015	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for 2015⁽²⁾	-	-	-	878	2	-	330	257	1,467	83	1,550
Other capital changes ⁽³⁾	42,831,440	2	80	-	-	-	-	-	82	-	82
Treasury stock	4,627	-	-	-	-	-	-	-	-	-	-
Conversion of OCEANE 2018 options ⁽⁴⁾	147,958,658	7	204	(23)	-	-	-	-	188	-	188
Conversion of OCEANE 2019 options ⁽⁵⁾	15,220,628	1	48	(5)	-	-	-	-	44	-	44
Conversion of OCEANE 2020 options ⁽⁶⁾	9,894,363	1	31	(6)	-	-	-	-	26	-	26
Share-based payments	-	-	-	26	-	-	-	-	26	-	26
Dividends	-	-	-	-	-	-	-	-	-	(12)	(12)
Other adjustments	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance at December 31, 2015 before appropriation	2,996,221,659	152	21,232	(16,882)	54	(1,084)	(36)	257	3,693	904	4,597
Proposed appropriation	-	-	-	257	-	-	-	(257)	-	-	-
Balance at December 31, 2015 after appropriation	2,996,221,659	152	21,232	(16,625)	54	(1,084)	(36)	-	3,693	904	4,597

(1) See Note 22.

(2) See consolidated statements of comprehensive income.

(3) 42,831,440 shares were issued mainly due to exercise of options and the vesting of performance shares (see Note 22).

(4) 147,958,658 shares were issued as a result of the conversion of the outstanding OCEANE convertible bonds due 2018 (see Note 22).

(5) 15,220,628 shares were issued as a result of the conversion of the outstanding OCEANE convertible bonds due 2019 (see Note 22).

(6) 9,894,363 shares were issued as a result of the conversion of the outstanding OCEANE convertible bonds due 2020 (see Note 22).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Alcatel Lucent S.A. (Alcatel-Lucent) is a French public limited liability company that is subject to the French Commercial Code and to all the legal requirements governing commercial companies in France. Alcatel-Lucent was incorporated on June 18, 1898 and will be dissolved on June 30, 2086, unless its existence is extended or shortened by shareholder vote. Alcatel-Lucent is listed principally on the Paris and New York stock exchanges.

The consolidated financial statements reflect the results and financial position of Alcatel-Lucent and its subsidiaries (the "Group") as well as its investments in associates ("equity affiliates") and joint ventures. They are presented in Euros rounded to the nearest million.

The Group develops and integrates technologies, applications and services to offer innovative global communications solutions.

On February 10, 2016, Alcatel-Lucent's Board of Directors approved for issuance these preliminary consolidated financial statements at December 31, 2015.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Due to the listing of Alcatel-Lucent's securities on the Euronext Paris and in accordance with the European Union's regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Group are prepared in accordance with IFRSs (International Financial Reporting Standards), as adopted by the European Union (EU), as of the date when our Board of Directors authorized these consolidated financial statements for issuance.

IFRSs can be found at: http://ec.europa.eu/finance/accounting/index_en.htm.

IFRSs include the standards approved by the International Accounting Standards Board ("IASB"), that is, International Accounting Standards ("IASs") and accounting interpretations issued by the IFRS Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

As of December 31, 2015, all IFRSs that the IASB had published and that are mandatory are the same as those endorsed by the EU and mandatory in the EU, with the exception of:

- IAS 39 "Financial Instruments: Recognition and Measurement" (revised December 2003), which the EU only partially adopted. The part not adopted by the EU has no impact on Alcatel-Lucent's financial statements.

As a result, the Group's consolidated financial statements comply with International Financial Reporting Standards as published by the IASB.

The accounting policies and measurement principles adopted for the consolidated financial statements as of and for the year ended December 31, 2015 are the same as those used in the audited consolidated financial statements as of and for the year ended December 31, 2014 included in our annual report on Form 20-F for fiscal year 2014 (the "2014 audited consolidated financial statements"), with the exception of the adoption of the following amendment and improvements to IFRSs, that are mandatory for annual periods beginning on or after July 1, 2014, that the EU has endorsed, and that have no impact on Alcatel-Lucent's financial statements or are already being applied:

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" (issued November 2013); and
- Annual improvements to IFRSs (2010-2012) and Annual improvements to IFRSs (2011-2013) issued December 2013.

In Q1 2014, the IASB published the following IFRS that is only applicable with effect from January 1, 2016, that the EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This interim standard would have no impact on the Group's financial statements:

- IFRS 14 "Regulatory Deferral Accounts" (issued January 2014).

In Q2 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers" and proposed several clarifications in July 2015. In September 2015 the IASB issued an amendment to IFRS 15 and deferred the effective date by one year to January 1, 2018. This new IFRS contains a single five-step revenue recognition model that applies to contracts with customers and requires revenue to be recognized as control over goods and services is transferred to the customer. This standard replaces all existing IFRS revenue recognition guidance. The effect on the Group's consolidated financial statements is undetermined at this time as the company is currently evaluating the impact of IFRS 15 to ensure that the reporting procedures and systems are adapted and ready in accordance with the future mandatory effective date. The EU has not yet endorsed this standard.

In Q2 2014, the IASB published also two amendments to existing IFRSs that are only applicable with effect from January 1, 2016, that the EU has endorsed, and that, once effective, will have no impact on the Group's financial statements:

- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (issued May 2014); and

- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation” (issued May 2014).

With regard to the Amendment to IAS 38, the Group currently amortizes capitalized software development costs at the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product and (b) the straight-line method over the remaining estimated economic life of the software or the product they are incorporated within. However, under the Amendment, there is a rebuttable presumption that an amortization method that is based on revenue generated by an activity that includes the use of an intangible asset is inappropriate. The use of this method has been limited and the change in our amortization method will be immaterial to the Group’s financial statements.

In Q3 2014, the IASB published the following IFRS that is only applicable with effect from January 1, 2018, that the EU has not yet endorsed, and that, once effective, may have an impact on the amount and timing of the Group’s reported assets, liabilities and income; mainly marketable securities that will be classified as long term assets, and expected credit losses that will be calculated with a different method; the extent of the impact is not yet known or reasonably estimable at this stage:

- IFRS 9 “Financial Instruments” (issued July 2014).

In Q3 2014, the IASB published two amendments to existing IFRSs that are only applicable with effect from January 1, 2016, that the EU has endorsed, and that, once effective, are not expected to have any impact on the Group’s financial statements:

- Amendments to IAS 27 “Equity Method in Separate Financial Statements” (issued August 2014); and
- Annual improvements to IFRSs (2012-2014) (issued September 2014).

In Q4 2014, the IASB published an amendment to existing IFRSs that is only applicable with effect from January 1, 2016, that the EU has endorsed, and that, once effective, is not expected to have any impact on the Group’s financial statements:

- Amendments to IAS 1 “Disclosure Initiative” (issued December 2014).

In Q4 2014, the IASB published an amendment to existing IFRSs that is only applicable with effect from January 1, 2016, that the EU has not yet endorsed, and that, once effective, is not expected to have any impact on the Group’s financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception” (issued December 2014).

a/ Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs under the historical cost convention, with the exception of certain categories of assets and liabilities. The categories concerned are detailed in the following notes.

b/ Consolidation methods and changes in ownership interests

Companies over which the Group has control are fully consolidated.

Companies over which the Group has joint control are either accounted for as a joint operation or as a joint venture, in accordance with IFRS 11 “Joint Arrangements”. When the Group is a joint operator, the right to assets, obligation for the liabilities and corresponding revenues and expenses arising from the arrangement are accounted for. Investments in joint ventures are accounted for under IAS 28.

In accordance with IAS 28 “Investments in Associates and Joint Ventures”, companies over which the Group has significant influence (investments in “associates” or equity affiliates) are accounted for under the equity method. Significant influence is presumed when the Group’s interest in the voting rights is 20% or more.

In accordance with IFRS 10 “Consolidated Financial Statements”, structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicates that it is controlled by the Group. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Any changes in Alcatel-Lucent’s ownership interest in a subsidiary that do not result in loss of control are accounted for within equity. When Alcatel-Lucent loses control of a subsidiary, the assets (including any goodwill) and liabilities, related equity components, and the carrying amount of any non-controlling interests of the former subsidiary are derecognized. Any gain or loss and any amounts previously recognized in other comprehensive income in relation to that subsidiary are recognized in profit or loss (to the extent that the items can be reclassified to profit or loss). Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

c/ Business combinations

Business combinations are accounted for in accordance with the purchase method required by IFRS 3. Once control is obtained over a target, its assets and liabilities are measured at their fair value at the acquisition date in accordance with IFRS requirements. Under IFRS 3 (revised), when control over the target is obtained, the non-controlling interest may be valued either at fair value or at its share of the target's identifiable net assets. The Group has not yet measured any non-controlling interests in a target in which the Group acquired control at fair value, because all business combinations recorded to date occurred before the effective date of January 1, 2010 for IFRS 3 (revised). Under the previous version of IFRS 3, non-controlling interests were always valued at their proportion of the net fair values of the identifiable net assets of the target. Accordingly, the Group has measured all non-controlling interests at their share of a target's identifiable net assets. Any excess between consideration transferred of the business combination and the Group's interest in the fair value of the net assets acquired is recognized as goodwill (see intangible and tangible assets).

If the initial accounting for a business combination cannot be completed before the end of the annual period in which the business combination is effected, the initial accounting must be completed within twelve months from the acquisition date. Transaction costs attributable to the acquisition are expensed as incurred, except for the costs of issuing debt or equity instruments in connection with the business combination, which are included in the carrying value of the instrument.

The accounting treatment of deferred taxes related to business combinations is described in Note 1l below.

The accounting treatment of stock options of companies acquired in the context of a business combination is described in Note 1r below.

d/ Translation of financial statements denominated in foreign currencies

The statements of financial position of consolidated entities having a functional currency different from the euro are translated into euros at the closing exchange rate (spot exchange rate at the statement of financial position date), and the income statements, statements of comprehensive income and statements of cash flows of such consolidated entities are translated at the average period to date exchange rate. The resulting translation adjustments are included in equity under the caption "Cumulative translation adjustments".

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are considered as assets and liabilities of that entity. They are therefore expressed in the entity's functional currency and translated into euros using the closing exchange rate.

e/ Translation of foreign currency transactions

Foreign currency transactions are translated at the rate of exchange applicable on the transaction date. At period-end, foreign currency monetary assets and liabilities are translated at the rate of exchange prevailing on that date. The resulting exchange gains or losses are recorded in the income statement in "other financial income (loss)".

Foreign currency denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

Exchange gains or losses on foreign currency financial instruments that represent an economic hedge of a net investment in a subsidiary whose functional currency is not the euro are reported as translation adjustments in equity under the caption "Cumulative translation adjustments" until the disposal of the investment.

f/ Research and development expenses and capitalized development costs

In accordance with IAS 38 "Intangible Assets", research and development expenses are recorded as expenses in the year in which they are incurred, except for:

- **development costs**, which are capitalized as an intangible asset when the following criteria are met:
 - the project is clearly defined, and the costs are separately identified and reliably measured,
 - the technical feasibility of the project is demonstrated,
 - the ability to use or sell the products created during the project is demonstrated,
 - the intention exists to finish the project and use or sell the products created during the project,
 - a potential market for the products created during the project exists or their usefulness, in case of internal use, is demonstrated, leading one to believe that the project will generate probable future economic benefits, and
 - adequate resources are available to complete the project.

These development costs are amortized over the estimated useful lives of the projects or the products they are incorporated within. The amortization of capitalized development costs begins as soon as the related product is released.

Specifically for software, useful life is determined as follows:

- in case of internal use: over its probable service lifetime, and
- in case of external use: rates of technical, technological or commercial obsolescence in the industry and according to prospects for sale, rental or other forms of distribution.

Capitalized software development costs are those incurred during the programming, codification and testing phases. Costs incurred during the design and planning, product definition and product specification stages are accounted for as expenses.

The amortization of capitalized software development costs during a reporting period is the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product and (b) the straight-line method over the remaining estimated economic life of the software or the product they are incorporated within.

The amortization of internal use software capitalized development costs is accounted for by function depending on the beneficiary function.

- *Customer design engineering costs* (recoverable amounts disbursed under the terms of contracts with customers), are included in work in progress on construction contracts.

With regard to business combinations, a portion of the purchase price is allocated to in-process research and development projects that may be significant. As part of the process of analyzing these business combinations, Alcatel-Lucent may decide to buy technology that has not yet been commercialized rather than develop the technology internally. Decisions of this nature consider existing opportunities for Alcatel-Lucent to stay at the forefront of rapid technological advances in the telecommunications-data networking industry.

The fair value of in-process research and development acquired in business combinations is usually based on present value calculations of income, an analysis of the project's accomplishments and an evaluation of the overall contribution of the project, and the project's risks, all inputs that represent the assumptions that a market participant would use when pricing the asset.

The revenue projection used to value in-process research and development is based on estimates of relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by Alcatel-Lucent and its competitors. Future net cash flows from such projects are based on management's estimates of such projects' cost of sales, operating expenses and income taxes.

The value assigned to purchased in-process research and development is also adjusted to reflect the stage of completion, the complexity of the work completed to date, the difficulty of completing the remaining development, costs already incurred, and the projected cost to complete the projects.

Such value is determined by discounting the net cash flows to their present value. The selection of the discount rate is based on Alcatel-Lucent's weighted average cost of capital, adjusted upward to reflect additional risks inherent in the development life cycle.

Capitalized development costs considered as assets (either generated internally and capitalized or reflected in the purchase price of a business combination) are generally amortized over 3 to 10 years.

Impairment tests are carried out using the methods described in Note 1g.

g/ Goodwill, intangible assets and property, plant and equipment

In accordance with IAS 16 "Property, Plant and Equipment" and with IAS 38 "Intangible Assets", only items whose cost can be reliably measured and for which future economic benefits are likely to flow to the Group are recognized as assets.

In accordance with IAS 36 "Impairment of Assets", whenever events or changes in market conditions indicate a risk of impairment of intangible assets and property, plant and equipment, a detailed review is carried out in order to determine whether the net carrying amount of such assets remains lower than their recoverable amount, which is defined as the greater of fair value (less costs to sell) and value in use. Value in use is measured by discounting the expected future cash flows from continuing use of the asset and its ultimate disposal. Intangible assets with indefinite useful lives (such as trade names) are tested for impairment, at least annually.

If the recoverable value is lower than the net carrying value, the difference between the two amounts is recorded as an impairment loss. Impairment losses for property, plant and equipment or intangible assets can be reversed if the recoverable amount becomes higher than the net carrying amount (but not exceeding the loss initially recorded).

Goodwill

The goodwill arising from a business combination is equal to the difference between the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the acquirer's previously-held equity interest in the target, minus the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. This goodwill is recognized in assets in the Consolidated Statement of Financial Position.

Goodwill is tested for impairment at least annually, such test is carried out during the fourth quarter of the year. The impairment test methodology is based on a comparison between the recoverable amounts of each of the Group's cash generating units (CGU) (considered as a Product Division or groups of Product Divisions at which level the impairment test is performed) and the CGU's net asset carrying amounts (including goodwill). All goodwill is allocated to CGUs. Within Alcatel-Lucent's reporting structure, Product Divisions are two levels below our two reportable segments (Core Networking and Access). Such recoverable amounts are mainly determined using discounted cash flows over five years and a discounted residual value.

An additional impairment test is also performed when events indicating a potential decrease of the recoverable value of a CGU occur (see Note 2c and Note 11). Goodwill impairment losses cannot be reversed.

Equity affiliate goodwill is included with the related investment in associate. The requirements of IAS 39 are applied to determine whether any impairment loss must be recognized with respect to the net investment in associates. The impairment loss is calculated according to IAS 36 requirements.

When the reporting structure is reorganized in a way that changes the composition of one or more CGUs to which goodwill was allocated, a new impairment test is performed on the goodwill for which the underlying CGU has changed. Such reallocations were made on January 1, 2013 using a relative value approach similar to the one used when an entity disposes of an operation within a CGU.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recorded at cost less accumulated amortization and any accumulated impairment losses. They are recognized if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably.

Intangible assets mainly include capitalized development costs and those assets acquired in business combinations, being primarily acquired technologies or customer relationships. Intangible assets, other than certain trade names, are generally amortized on a straight-line basis over their estimated useful lives (i.e. 3 to 10 years). Amortization is taken into account within cost of sales, research and development costs (acquired technology, in-process research and development (IPR&D), etc.) or administrative and selling expenses (customer relationships), depending on the designation of the asset. Impairment losses are accounted for in a similar manner or in restructuring costs if they occur as part of a restructuring plan or in a specific line item if very material (refer to Note 1n). IPR&D capitalization of development costs begins once the technical feasibility is reached, and amortization of capitalized development costs begins once the related product is released. Certain trade names are considered to have indefinite useful lives and therefore are not amortized.

Capital gains/losses from disposals of intangible assets are accounted for in the corresponding cost line items in the income statement depending on where in the income statement the underlying asset would normally be expensed (i.e. cost of sales, administrative and selling expenses or research and development costs).

Property, plant and equipment

Property, plant and equipment are valued at historical cost for the Group less accumulated depreciation expense and any impairment losses. Depreciation expense is generally calculated over the following useful lives:

Buildings and building improvements	5-50 years
Infrastructure and fixtures	5-20 years
Plant and equipment	1-10 years

Depreciation expense is determined using the straight-line method.

Assets acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards associated with ownership of the asset to the Group (as tenant) are capitalized.

Residual value, if considered to be significant, is included when calculating the depreciable amount. Property, plant and equipment are segregated into their separate components if there is a significant difference in their expected useful lives, and depreciated accordingly.

Depreciation and impairment losses are accounted for in the income statement under cost of sales, research and development costs or administrative and selling expenses, depending on the nature of the asset or in restructuring costs if they occur as part of a restructuring plan or in a specific line item if very material (see Note 1n).

In addition, capital gains/losses from disposals of property, plant and equipment are accounted for in the corresponding cost line items in the income statement depending on where in the income statement the underlying asset would normally be expensed (i.e. cost of sales, administrative and selling expenses, research and development costs or restructuring costs).

h/ Inventories and work in progress

In accordance with IAS 2 "Inventories", inventories and work in progress are valued at the lower of cost (including indirect production costs where applicable) or net realizable value. Cost is assigned by using generally the weighted average cost formula, or the first-in, first-out (FIFO) cost formula in certain cases.

Net realizable value is the estimated sales revenue for a normal period of activity less expected selling costs and any estimated costs of completion.

i/ Treasury stock

Treasury shares owned by Alcatel-Lucent or its subsidiaries are accounted for at cost and are deducted from equity. Proceeds from the sale of such shares are recognized directly in equity.

j/ Pension and retirement obligations and other employee and post-employment benefit obligations

In accordance with the laws and practices of each country where Alcatel-Lucent is established, the Group participates in employee benefit plans.

For defined contribution plans, the Group expenses contributions as and when they are due. As the Group is not liable for any legal or constructive obligations under such plans beyond the contributions paid, no provision is made. Provisions for defined benefit plans and other long-term employee benefits are determined as follows: using the Projected Unit Credit Method (with projected final salary), each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to calculate the final obligation. Actuarial assumptions, such as mortality rates, rates of employee turnover and projection of future salary levels, are used to calculate the obligation. Changes in actuarial assumptions are recognized in equity in the statement of financial position.

The service cost is recognized in "income from operating activities" and the net interest on the defined benefit liability (asset) is recognized in "financial income (loss)". The impact of plan amendments is presented in a specific line item of the income statement if material (see Note 1n).

Certain other post-employment benefits, such as life insurance and health insurance (particularly in the United States) or long-service medals (bonuses awarded to employees for extended service particularly in France and Germany), are also recognized as provisions, which are determined by means of an actuarial calculation similar to the one used for retirement provisions.

The accounting treatment used for employee stock options is detailed in Note 1s below.

k/ Provisions for restructuring and restructuring costs

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the recognition criteria for accounting for a restructuring reserve are (i) the company has an obligation towards a third party at the statement of financial position date, (ii) it is probable (more likely than not) that a liability (future outflow to settle the obligation) has been incurred, and (iii) this liability can be reasonably estimated.

To meet such criteria when reserving for restructuring actions, we consider that the appropriate level of management has to approve the restructuring plan and has to announce it by the date of the statement of financial position, specifically identifying the restructuring actions to be taken (for example, the number of employees concerned, their job classifications or functions and their locations). Before the statement of financial position date, detailed conditions of the plan have to be communicated to employees, in such a manner as to allow an employee to estimate reasonably the type and amount of benefits he/she will receive. Also, the related restructuring actions that are required to be completed must be estimated to be achievable in a relatively short (generally less than 1 year) timeframe without likelihood of change.

Restructuring costs primarily relate to severance payments, early retirement, costs for notice periods not worked, training costs of terminated employees, costs linked to the closure of facilities or the discontinuance of product lines and any costs arising from plans that materially change the scope of the business undertaken by the Group or the manner in which such business is conducted.

Other costs (removal costs, training costs of transferred employees, etc.) and write-offs of fixed assets, inventories, work in progress and other assets, directly linked to restructuring measures, are accounted for as incurred (as linked to ongoing activities), in restructuring costs in the income statement.

The amounts reserved for anticipated payments made in the context of restructuring programs are valued at their present value in cases where the settlement date is beyond the normal operating cycle of the company and the time value of money is deemed to be significant. The impact of the passage of time on the present value of the payments is included in "other financial income (loss)".

I/ Taxes

Current income tax

Current income tax assets and liabilities for the current period are established based upon the amount expected to be recovered from or paid to the taxation authorities and reflected in the statement of financial position. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity or in other comprehensive income is recognized respectively in equity or in other comprehensive income, and not in the income statement. Management periodically evaluates positions taken in the Group's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes

Deferred taxes are computed in accordance with the liability method for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts, including the reversal of entries recorded in individual accounts of subsidiaries solely for tax purposes. All amounts resulting from changes in tax rates are recorded in equity, net income (loss), or other comprehensive income for the year in which the tax rate change is enacted.

Deferred tax assets are recorded in the consolidated statement of financial position when it is probable that the tax benefit will be realized in the future. Deferred tax assets and liabilities are not discounted.

To assess the ability of the Group to recover deferred tax assets, the following factors are taken into account:

- existence of deferred tax liabilities that are expected to generate taxable income, or limit tax deductions upon reversal;
- forecasts of future tax results;
- the impact of non-recurring costs included in income or loss in recent years that are not expected to be repeated in the future;
- historical data concerning recent years' tax results; and
- if required, tax planning strategy, such as the planned disposal whose values are higher than their book values.

As a result of a business combination, an acquirer may consider it probable that it will recover its own deferred tax assets that were not recognized before the business combination. For example, an acquirer may be able to utilize the benefit of its unused tax losses against the future taxable profit of the acquiree. In such cases, the acquirer recognizes a deferred tax asset, but does not include it as part of the accounting for the business combination, and therefore does not take it into account in determining the goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

If the potential benefits of the acquiree's income tax loss carry-forwards or other deferred tax assets do not satisfy the criteria in IFRS 3 (revised) for separate recognition when a business combination is initially accounted for, but are subsequently realized, the acquirer will recognize the resulting deferred tax income in profit or loss. If any deferred tax assets related to the business combination with Lucent are recognized in future financial statements of the combined company, the impact will be accounted for in the income statement (for the tax losses not yet recognized related to both historical Alcatel and Lucent entities).

Penalties recognized on tax claims are accounted for in the "income tax" line item in the income statement.

m/ Revenues

Revenues include net goods, equipment, and services sales from the Group's principal business activities and income due from licensing fees and from grants, net of value added taxes (VAT).

The majority of revenues from the sale of goods and equipment are recognized under IAS 18 "Revenues" when persuasive evidence of an arrangement with the customer exists, delivery has occurred, the significant risks and rewards of ownership of a product have been transferred to the customer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. For arrangements in which the customer specifies formal substantive acceptance of the goods, equipment, services or software, revenue is deferred until all the acceptance criteria have been met.

Product rebates or quantity discounts are deducted from revenues, even in the case of promotional activities giving rise to free products.

Revenue in general is measured at the fair value of the consideration received or to be received. Where a deferred payment has a significant impact on the calculation of fair value, it is accounted for by discounting future payments.

The assessment of the ability to collect is critical in determining whether revenue or expense should be recognized. As part of the revenue recognition process, the Group assesses whether it is probable that economic benefits associated with the transaction will flow to the Group. If the Group is uncertain as to whether economic benefits will flow to the Group, revenue is deferred and recognized on a cash basis. However, if uncertainty arises about the ability to collect an amount already included in revenue, the amount with respect to which recovery has ceased to be probable is recognized as an expense in "cost of sales".

Revenues from contracts that are multiple-element arrangements, such as those including products with installation and integration services, are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by internal or third-party analyses of market-based prices or by deferring the fair value associated with undelivered elements. A delivered element is considered a separate unit of accounting if it has value to the customer on a stand-alone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Group's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting in accordance with the criteria described in the preceding paragraph.

The remaining revenues are recognized from construction contracts under IAS 11 "Construction Contracts". Construction contracts are defined as contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose of use (primarily those related to customized network solutions and network build-outs with a duration of more than two quarters). For revenues generated from construction contracts, the Group applies the percentage of completion method of accounting in application of the above principles, provided certain specified conditions are met, based either on the achievement of contractually defined milestones or on costs incurred compared with total estimated costs. Any probable construction contract losses are recognized immediately in cost of sales. If uncertainty exists regarding customer acceptance, or the contract's duration is relatively short, revenues are recognized only to the extent of costs incurred that are recoverable, or on completion of the contract. Construction contract costs are recognized as incurred when the outcome of a construction contract cannot be estimated reliably. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery. Work in progress on construction contracts is stated at production cost, excluding administrative and selling expenses. Changes in provisions for penalties for delayed delivery or poor contract execution are reported in revenues and not in cost of sales.

Advance payments received on construction contracts, before corresponding work has been carried out, are recorded in customers' deposits and advances. Costs incurred to date plus recognized profits less the sum of recognized losses (in the case of provisions for contract losses) and progress billings are determined on a contract-by-contract basis. If the amount is positive, it is disclosed in Note 17 as an asset under "amount due from customers on construction contracts". If the amount is negative, it is disclosed in Note 17 as a liability under "amount due to customers on construction contracts".

When software is embedded in the Group's hardware and the software and hardware function together to deliver the product's essential functionality, the transaction is considered a hardware transaction and guidance from IAS 18 is applied. For revenues generated from licensing, selling or otherwise marketing software solutions or stand-alone software sales, the Group also applies the guidance from IAS 18 and requires fair value to separate multiple software elements. Vendor specific objective evidence (VSOE) of fair value to separate multiple software elements may be used in certain case. In addition, if any undelivered element in these transactions is essential to the functionality of delivered elements, revenue is deferred until such element is delivered or the last element is delivered. If the last undelivered element is a service, revenue for such transactions is recognized ratably over the service period.

For arrangements to sell services only, revenue from training or consulting services is recognized when the services are performed. Maintenance service revenue, including post-contract customer support, is deferred and recognized ratably over the contracted service period. Revenue from other services is generally recognized at the time of performance.

For product sales made through retailers and distributors, assuming all other revenue recognition criteria have been met, revenue is recognized upon shipment to the distribution channel, if such sales are not contingent on the distributor selling the product to third parties and the distribution contracts contain no right of return. Otherwise, revenue is recognized when the reseller or distributor sells the product to the end user.

n/ Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments

Alcatel-Lucent has considered relevant to the understanding of the Group's financial performance to present on the face of the income statement a subtotal inside the income (loss) from operating activities.

This subtotal, named "Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments", excludes those elements that are difficult to predict due to their nature, frequency and/or materiality.

Those elements can be divided in two categories:

- elements that are both very infrequent and material, such as a major impairment of an asset, a disposal of investments, the settlement of litigation having a material impact or a major amendment of a pension or other post-retirement plan; and
- elements that are by nature unpredictable in their amount and/or in their frequency, if they are material. Alcatel-Lucent considers that materiality must be assessed not only by comparing the amount concerned with the income (loss) from operating activities of the period, but also in terms of changes in the item from one period to another. For example, restructuring charges have shown significant changes from one period to another.

"Income (loss) from operating activities" includes gross profit, administrative and selling expenses and research and development costs (see Note 1f) and, in particular, pension costs (except for the financial component, see Note 1j), employee profit sharing, valuation allowances on receivables (including the two categories of vendor financing as described in Note 1q) and capital gains (losses) from the disposal of intangible assets and property, plant and equipment, and all other operating expenses or income regardless of their predictive value in terms of nature, frequency and/or materiality.

"Income (loss) from operating activities" is calculated before "Finance cost" and "Other financial income (loss)", which includes the financial component of retirement expenses, financing costs and capital gains (losses) from disposal of financial assets (shares in a non-consolidated company or company consolidated under the equity method and other non-current financial assets, net), and before share in net income (losses) of equity affiliates, income tax (expense) benefit and income (loss) from discontinued operations.

o/ Finance costs and other financial income (loss)

Finance costs include interest charges relating to net consolidated debt, which consists of bonds, the liability component of compound financial instruments such as OCEANE and other convertible bonds, other long-term debt (including finance lease obligations) and interest income on all cash and similar items (cash, cash equivalents and marketable securities) and the changes in fair values of marketable securities accounted for at fair value through profit or loss.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalized as part of the cost of that asset.

When tax law requires interest to be paid (received) on an underpayment (overpayment) of income taxes, this interest is accounted for in the "other financial income (loss)" line item in the income statement.

p/ Structure of consolidated statement of financial position

Most of the Group's activities in the various business segments have long-term operating cycles, and, as a result, current assets and current liabilities include certain elements that are due after one year.

q/ Financial instruments

i. Financial assets and liabilities

Financial assets include assets classified as available-for-sale and held-to-maturity, assets at fair value through profit and loss, asset derivative instruments, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts, liability derivative instruments and payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39.

The Group determines the classification of its financial assets and liabilities at initial recognition. In the statement of financial position, financial assets are classified in "Other non-current financial assets, net", "Marketable securities" and "Other current and non-current assets", and financial liabilities are classified in "Convertible bonds and other bonds, long-term", "Other long-term debt", "Other current and non-current liabilities" and "Current portion of long-term and short-term debt".

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets and liabilities at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognized in finance costs in the income statement.

Loans, receivables and borrowings

After initial measurement, loans, receivables and borrowings are measured at amortized cost using the Effective Interest Rate method (EIR), less impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the transaction. Amortization, calculated using the EIR, is included in finance costs in the income statement. The impairment of loans and receivables, which is represented by the difference between net carrying amount and recoverable value, is recognized in the income statement and can be reversed if recoverable value rises in the future.

Certain financial instruments that are part of financial debt contain both a liability and an equity component, including bonds that can be converted into or exchanged for new or existing shares and notes mandatorily redeemable for new or existing shares. The different components of compound financial instruments are accounted for in equity and in bonds and notes issued according to their classification, as defined in IAS 32 "Financial Instruments: Presentation".

In accordance with IAS 32 AG33 and AG34 requirements, the consideration paid in connection with an early redemption of a compound financial instrument is allocated at the date of redemption between the liability and the equity components with an allocation method consistent with the method used initially. The amount of gain or loss relating to the liability component is recognized in "other financial income (loss)" and the amount of consideration relating to the equity component is recognized in equity.

Held-to-maturity investments

The Group did not have any held-to-maturity investments during the years ended December 31, 2015, 2014 and 2013.

Available-for-sale financial assets

Available-for-sale financial assets include investments in non-consolidated companies and are recorded at cost upon acquisition including transaction costs.

After initial measurement, available-for-sale financial assets are subsequently measured at their fair value. The fair value for listed securities on an active market is their market price. If a reliable fair value cannot be established, securities are valued at cost. Fair value changes are accounted for directly in other comprehensive income. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and objective evidence of impairment of that financial asset exists (for instance, a significant or prolonged decline in the value of the asset), an irreversible impairment loss is recorded in the income statement. This loss can only be released upon the sale of the securities concerned.

The portfolio of non-consolidated securities and other financial assets is assessed at each quarter-end for objective evidence of impairment.

Derecognition of financial assets

A financial asset as defined under IAS 32 "Financial Instruments: Presentation" is totally derecognized (removed from the statement of financial position) when, for instance, the Group expects no further cash flow to be generated by it and transfers substantially all risks and rewards attached to it.

In the case of trade receivables, a transfer without recourse in case of payment default by the debtor is regarded as a transfer of substantially all risks and rewards of ownership, thus making such receivables eligible for derecognition under IAS 39 "Financial Instruments: Recognition and Measurement", on the basis that risk of late payment is considered marginal. A more restrictive interpretation of the concept of "substantial transfer of risks and rewards" could put into question the accounting treatment that has been adopted. The amount of receivables sold without recourse is given in Note 20.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

ii. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 26.

The fair values of financial instruments are categorized into a fair value hierarchy of three levels. The levels depend on the type of input used for the valuation of the instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included under Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

iii. Cash and Cash equivalents

In accordance with IAS 7 "Statement of Cash Flows", cash and cash equivalents in the consolidated statements of cash flows include cash (cash funds) and cash equivalents (term deposits and short-term investments that are very liquid and readily convertible to known amounts of cash and are only subject to negligible risks of changes in value). Cash and cash equivalents in the statement of cash flows do not include investments in listed securities, investments with an initial maturity date exceeding three months and without an early exit clause, or bank accounts restricted in use, other than restrictions due to regulations applied in a specific country (exchange controls) or sector of activities.

Bank overdrafts are considered as financing liabilities and are excluded from cash and cash equivalents.

Cash and cash equivalents in the consolidated statements of financial position correspond to the cash and cash equivalents defined above.

iv. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges, when hedging the exposure to changes in the fair value of a recognized asset or liability;
- cash flow hedges, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

The Group did not have any derivatives qualified as hedges of a net investment in a foreign operation during the years ended December 31, 2015, 2014 and 2013.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below.

Fair value hedges

The change in the fair value of a hedging derivative is recognized in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through the income statement over the remaining term of the hedge using the effective interest rate (EIR) method. EIR amortization may begin as soon as an adjustment exists and shall terminate when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value of the hedging instrument is recognized immediately in the income statement.

See Note 26 for more details.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity (other comprehensive income in the cash flow hedge reserve), while any ineffective portion is recognized immediately in the income statement in "other financial income (loss)".

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Refer to Note 26 for more details.

r/ Customer financing

The Group undertakes two types of customer financing:

- financing relating to the operating cycle and directly linked to actual contracts; and
- longer-term financing (beyond the operating cycle) through customer loans, minority investments or other forms of financing.

Both categories of financing are accounted for in "Other current or non-current assets, net".

Changes in these two categories of assets are included in cash flows from operating activities in the consolidated statement of cash flows.

Furthermore, the Group may give guarantees to banks in connection with customer financing. These are included in commitments that are not in the statement of financial position.

s/ Stock options

In accordance with the requirements of IFRS 2 "Share-based Payment", stock options granted to employees are included in the financial statements using the following principles: the stock option's fair value, which is considered to be a reflection of the fair value of the services provided by the employee in exchange for the option, is determined on the grant date. It is accounted for in accumulated deficit (credit) at grant date, with a counterpart in deferred compensation (debit). During the vesting period, deferred compensation is amortized in the income statement as an expense.

Stock option fair value is calculated at grant date (i.e. date of approval of the plan by the Board of Directors) using the Cox-Ross-Rubinstein binomial model. This model permits consideration of the option's characteristics, such as exercise price and expiry date, market data at the time of issuance, the interest rate on risk-free securities, share price, expected volatility at grant date and expected dividends, and behavioral factors of the beneficiary, such as expected early exercise. It is considered that a beneficiary will exercise his/her option once the potential gain becomes higher than 50% of the exercise price.

The impact of applying IFRS 2 on net income (loss) is accounted for in "cost of sales", "research and development costs" or "administrative and selling expenses" depending on the functions of the beneficiaries.

Outstanding stock options at the acquisition date of a company acquired by Alcatel-Lucent in a business combination are usually converted into options to purchase Alcatel-Lucent shares using the same exchange ratio as for the acquired shares of the target company. In accordance with IFRS 3 "Business Combinations" and IFRS 2 "Share-based Payment" requirements, the fair value of vested stock options at the time of acquisition is taken into account in the cost of the business combination.

t/ Assets held for sale and discontinued operations

IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

A non-current asset or disposal group (group of assets or a cash generating unit) to be sold is considered as held for sale if its carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for sale and its sale must be highly probable. These assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a separate major line of business or geographical area of operations for the Group that is either being sold or is being held for sale. The net income (loss) and statement of cash flow elements relating to such discontinued operations are presented in specific captions in the consolidated financial statements for all periods presented.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

u/ Earnings per share

Basic earnings per share is computed using the number of shares issued, after deduction of the weighted average number of shares owned by consolidated subsidiaries and the weighting effect of shares issued during the year.

The dilutive effects of stock option and stock purchase plans are calculated using the "treasury stock method", which provides that proceeds to be received from the exercise of options or purchase of stock are assumed to be used first to purchase shares at market price. The dilutive effects of convertible bonds are calculated on the assumption that the bonds and notes will be systematically redeemed for shares (the "if converted method").

Diluted earnings per share takes into account share equivalents having a dilutive effect, after deducting the weighted average number of share equivalents owned by consolidated subsidiaries, but not share equivalents that do not have a dilutive effect. Net income (loss) is adjusted for after-tax interest expense relating to convertible bonds.

NOTE 2 PRINCIPAL UNCERTAINTIES REGARDING THE USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with IFRSs requires that the Group makes a certain number of estimates and assumptions that are considered realistic and reasonable. In the context of the current global economic environment, the degree of volatility and subsequent lack of visibility remain high as of December 31, 2015. Future facts and circumstances could lead to changes in these estimates or assumptions, which would affect the Group's financial condition, results of operations and cash flows.

a/ Valuation allowance for inventories and work in progress (see Note 18)

Inventories and work in progress are measured at the lower of cost or net realizable value. Valuation allowances for inventories and work in progress are calculated based on an analysis of foreseeable changes in demand, technology or the market, in order to determine obsolete or excess inventories and work in progress.

b/ Impairment of customer receivables (see Note 19)

An impairment loss is recorded for customer receivables if the expected present value of the future receipts is lower than the carrying value. The amount of the impairment loss reflects both the customers' ability to honor their debts and the age of the debts in question. A higher default rate than estimated or deterioration in our major customers' creditworthiness could have an adverse impact on our future results.

c/ Goodwill, other intangible assets and capitalized development costs

Goodwill (see Note 11)

Goodwill net, is allocated, where applicable, to cash generating units that are equivalent to a product division or groups of product divisions within Alcatel-Lucent's reporting structure. Product divisions are two levels below our two reportable segments. In assessing whether goodwill should be subject to impairment, the carrying value of each cash generating unit is compared to its recoverable value. Recoverable value is the greater of the value in use and the fair value less costs to sell.

The value in use of each cash generating unit is calculated using a five-year discounted cash flow analysis with a discounted residual value, corresponding to the capitalization to perpetuity of the normalized cash flows of year 5 (also called the Gordon Shapiro approach).

The fair value less costs to sell of each cash generating unit is determined based upon the weighted average of the Gordon Shapiro approach described above and the following two approaches, being additional inputs that represent assumptions that a market participant would use when pricing the asset:

- five-year discounted cash flow analysis with a Sales Multiple (Enterprise Value/Sales) to measure discounted residual value; and
- five-year discounted cash flow analysis with an Operating Profit Multiple (Enterprise Value/Earnings Before Interest, Tax, Depreciation and Amortization - "EBITDA") to measure discounted residual value.

The discount rates used for the annual impairment tests are based on the Group's weighted average cost of capital (WACC). A single discount rate is used on the basis that risks specific to certain products or markets have been reflected in determining the cash flows.

Growth and perpetual growth rates used are based on expected market trends.

Other intangible assets (see Note 12)

Impairment tests are performed if we have indications of a potential reduction in the value of our intangible assets due to change in market trends or new technologies. The recoverable amounts are based on discounted future cash flows or fair values of the assets concerned.

Capitalized development costs (see Note 12)

The Group evaluates the commercial and technical feasibility of development projects for which costs are capitalized, and estimates the useful lives of the products resulting from the projects. Should a product fail to substantiate these evaluations, the Group may be required to impair some of the net capitalized development costs in the future.

d/ Provisions for warranty costs and other product sales reserves (see Note 25)

These provisions are calculated based on historical return rates and warranty costs expensed as well as on estimates. Costs and penalties ultimately paid can differ considerably from the amounts initially reserved and could therefore have a significant impact on future results.

e/ Provisions for litigations (see Notes 25 and 31)

Certain legal proceedings are pending and cover a wide range of matters. Due to the inherent nature of litigation, the outcome or the cost of settlement may materially vary from estimates.

f/ Deferred tax assets (see Note 8)

The evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Group analyzes past events and certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carry-forwards. This analysis is carried out regularly in each tax jurisdiction where significant deferred tax assets, mainly in the U.S., are recorded.

If future taxable results are considerably different from those forecasted that support recording deferred tax assets, the Group will be obliged to revise downwards or upwards the amount of the deferred tax assets, which would have a significant impact on our financial results.

g/ Pension and retirement obligations and other employee and post-employment benefit obligations (see Note 23)

Actuarial assumptions

Our results of operations include the impact of significant pension and post-retirement benefits that are measured using actuarial valuations. Inherent in these valuations is a key assumption concerning discount rates in retirement plans and healthcare plans. This assumption is updated on an annual basis at the beginning of each fiscal year or more frequently upon the occurrence of significant events. In addition, discount rates are updated quarterly for those plans for which changes in these assumptions would have a material impact on our financials.

Discount rates

Discount rates for our U.S. plans are determined using the values published in the "original" CitiGroup Pension Discount Curve, which is based on AA-rated corporate bonds. Each future year's expected benefit payments are discounted by the discount rate for the applicable year listed in the CitiGroup Curve, and for those years beyond the last year presented in the CitiGroup Curve for which we have expected benefit payments, we apply the discount rate of the last year presented in the Curve. After applying the discount rates to all future years' benefits, we calculate a single discount rate that results in the same interest cost for the next period as the application of the individual rates would have produced. Discount rates for our non U.S. plans were determined based on Bloomberg AA Corporate yields until December 31, 2012. Since Bloomberg stopped publishing these yields, discount rates for our non U.S. plans are determined based on Iboxx AA Corporate yields starting January 1, 2013.

Holding all other assumptions constant, a 0.5% increase or decrease in the discount rate would have increased or decreased the 2015 net pension and post-retirement benefits costs (determined in accordance with IAS 19 "Employee Benefits" (revised)) by approximately €70 million and €(38) million, respectively.

Healthcare cost trends

Regarding healthcare cost trends for our U.S. plans, our external actuaries annually review expected cost trends from numerous healthcare providers, recent developments in medical treatments, the utilization of medical services, and Medicare future premium rates published by the U.S. Government's Center for Medicare and Medicaid Services (CMS) as these premiums are reimbursed for some retirees. They apply these findings to the specific provisions and experience of our U.S. post-retirement healthcare plans in making their recommendations. In determining our assumptions, we review our recent experience together with our actuaries' recommendations.

Expected participation rates in retirement healthcare plans

Our U.S. post-retirement healthcare plans allow participants to opt out of coverage at each annual enrollment period, and for almost all to opt back in at any future annual enrollment. An assumption is developed for the number of eligible retirees who will elect to participate in our plans at each future enrollment period. Our actuaries develop a recommendation based on the expected increases in the cost to be paid to a retiree participating in our U.S. plans and recent participation history. We review this recommendation annually after the annual enrollment has been completed and update it if necessary.

Mortality assumptions

Until September 30, 2014, we used the RP-2000 Combined Health Mortality table with Generational Projection based on the U.S. Society of Actuaries Scale AA. On October 27, 2014, the U.S. Society of Actuaries (SOA) issued new mortality tables. Starting December 31, 2014, we changed these assumptions to the RP-2014 White Collar table with MP-2014 mortality improvement scale for Management records and the RP-2014 Blue Collar table with MP-2014 mortality improvement scale for Occupational records. These changes had a U.S.\$2.6 billion negative effect on the benefit obligation of our U.S. plans. These effects were recognized in the 2014 Statement of Comprehensive Income.

On October 8, 2015, the U.S. SOA released an updated set of mortality improvement assumptions: scale MP-2015. This new mortality improvement scale reflects two additional years of data that the Social Security Administration has released since the development of the MP-2014 mortality improvement. These two additional years of data show a lower degree of mortality improvement than in previous years. The change to scale MP-2015 reduced the liabilities by \$218 million of our U.S. plans. These effects were recognized in the 2015 Statement of Comprehensive Income.

Plan assets investment

Plan assets are invested in many different asset categories (such as cash, equities, bonds, real estate and private equity). In the quarterly update of plan asset fair values, approximately 84% are based on closing date fair values and 16% have a one to three-month delay, as the fair values of private equity, venture capital, real estate and absolute return investments are not available in a short period. This is standard practice in the investment management industry. Assuming that the December 31, 2015 actual fair values of private equity, venture capital, real estate and absolute return investments were confirmed to be, after the one to three-month delay, 10% lower than the ones used for accounting purposes as of December 31, 2015, and since our U.S. Management pension plan has a material investment in these asset classes (and the asset ceiling described below is not applicable to this plan), other comprehensive income would be negatively impacted by approximately €344 million.

Asset ceiling

For retirees who were represented by the Communications Workers of America union and the International Brotherhood of Electrical Workers union, we expect to fund our current retiree healthcare and group life insurance obligations with Section 420 transfers from our U.S. Occupational pension plans. Section 420 of the U.S. Internal Revenue Code provides for transfers of certain excess pension plan assets held by a defined benefit pension plan into a retiree health benefits account established to pay retiree health benefits and into a group life insurance account established to pay retiree life insurance benefits. This is considered as a refund from the pension plan when setting the asset ceiling.

Depending on the type of Section 420 transfer, assets in excess of 120% or 125% of the funding obligation can be transferred. Using the methodology we selected to value plan assets and obligations for funding purposes (see Note 23), we estimated that, as of December 31, 2015, the excess of assets above 120% of the plan obligations was US\$1.1 billion (€1.0 billion), and the excess above 125% of plan obligations was US\$0.9 billion (€0.8 billion).

h/ Revenue recognition (see Note 6)

Most of the Group's sales are generated from complex contractual arrangements that require significant revenue recognition judgments, particularly in the areas of the sale of goods and equipment with related services constituting multiple-element arrangements, construction contracts and contracts including software. Judgment is also needed in assessing the ability to collect the corresponding receivables.

For revenues and expenses generated from construction contracts, the Group applies the percentage of completion method of accounting, provided certain specified conditions are met, based either on the achievement of contractually defined milestones or on costs incurred compared with total estimated costs. The determination of the stage of completion and the revenues to be recognized rely on numerous estimations based on costs incurred and acquired experience. Adjustments of initial estimates can, however, occur throughout the life of the contract, which can have significant impacts on financial condition.

Although estimates inherent in construction contracts are subject to uncertainty, certain situations exist whereby management is unable to reliably estimate the outcome of a construction contract. These situations can occur during the early stages of a contract due to a lack of historical experience or throughout the contract as significant uncertainties develop related to additional costs, claims and performance obligations, particularly with new technologies.

Contracts that are multiple-element arrangements can include hardware products, stand-alone software, installation and/or integration services, extended warranty, and product roadmaps, as examples. Revenue for each unit of accounting is recognized when earned based on the relative fair value of each unit of accounting as determined by internal or third-party analyses of market-based prices. Significant judgment is required to allocate contract consideration to each unit of accounting and determine whether the arrangement is a single unit of accounting or a multiple-element arrangement. Depending upon how such judgment is exercised, the timing and amount of revenue recognized could differ significantly.

For multiple-element arrangements that are based principally on licensing, selling or otherwise marketing software solutions, judgment is required as to whether such arrangements are accounted for under IAS 18 or IAS 11. Software arrangements requiring significant production, modification or customization are accounted for as a construction contract under IAS 11. All other software arrangements are accounted for under IAS 18, in which case the Group requires vendor specific objective evidence (VSOE) of fair value to separate the multiple software elements. Significant judgment is required to determine the most appropriate accounting model to be applied in this environment and whether VSOE of fair value exists to allow separation of multiple software elements.

For product sales made through distributors, product returns that are estimated according to contractual obligations and past sales statistics are recognized as a reduction of sales. Again, if the actual product returns were considerably different from those estimated, the resulting impact on the net income (loss) could be significant.

i/ Restructuring costs and impact on the recoverable value of goodwill (see Note 11)

On June 19, 2013, we announced the launch of The Shift Plan. Through this plan and the remainder of the Performance Program, we aimed at (i) reducing our fixed-cost base by €950 million in 2015 compared to our 2012 cost base (including fixed cost savings to be realized under the Performance Program) through the adoption of direct-channel operations, additional consolidation of SG&A (selling, general and administrative) functions, and by refocusing our R&D capacity, (ii) generating revenues from the Core Networking segment at or above €7 billion with an operating margin at or above 12.5% in 2015, and (iii) generating segment operating cash flow from the Access segment at or above €200 million by the end of 2015.

We estimate restructuring costs related to The Shift Plan at €950 million for all outstanding actions anticipated for the years between 2013 and 2015. For the year ended December 31, 2015, the restructuring costs related to these actions was €358 million of which €306 million expensed. The remaining restructuring costs related to The Shift Plan has been reserved and will be expensed in future quarters.

In compliance with sections 44 and 45 of IAS 36 "Impairment of Assets" and considering that we believe we are not committed to a restructuring program as long as we have not been able to expense it, we exclude future restructuring costs (and corresponding cost savings), if they have not been expensed, when we determine the value in use for the annual impairment test of goodwill. On the other hand, we fully took into account these future cash outflows and inflows in assessing the recoverability of our deferred tax assets and in determining the fair value less costs to sell of cash generating units (CGU), corresponding to the methodology described in Note 2c. We arrive at fair value less costs to sell of a CGU by basing it on a weighted average of three discounted cash flow approaches (two of the three using discounted residual values that are based respectively on a Sales multiple and an Operating Profit multiple), to arrive at a fair value that reflects assumptions that market participants would use when pricing a CGU.

NOTE 3 ACQUISITIONS AND DIVESTITURES

2015

Public exchange offer by Nokia for Alcatel-Lucent's securities

On April 15, 2015, Nokia and Alcatel-Lucent announced their intention to combine to create an innovation leader in next generation technology and services for an IP connected world. The two companies entered into a memorandum of understanding under which Nokia will make an offer for all of the equity securities issued by Alcatel-Lucent, through a public exchange offer in France and in the United States, subject to certain conditions, on the basis of 0.55 of a new Nokia share for every Alcatel-Lucent share. The all-share transaction valued Alcatel-Lucent at €15.6 billion on a fully diluted basis, corresponding to a fully diluted premium of 34% (equivalent to €4.48 per share), and a premium to shareholders of 28% (equivalent to €4.27 per share), on the weighted average share price of Alcatel-Lucent for the three months preceding the announcement. This was based on Nokia's closing share price of €7.77 on April 13, 2015.

Each company's Board of Directors has approved the terms of the proposed transaction.

On June 17, 2015, Nokia and Alcatel Lucent announced that the U.S. Department of Justice had granted early termination of the antitrust waiting period for the contemplated combination of Nokia and Alcatel-Lucent.

On October 19, 2015, Nokia received clearance from the Chinese Ministry of Commerce.

On October 21, 2015, following the decision by the French Ministry of Economy to approve the proposed transaction, Nokia announced receipt of all required regulatory approvals to proceed with the filing of its public exchange offer.

On November 18, 2015, following the clearance decision of NOKIA's public exchange offer by the AMF, NOKIA launched its public exchange offer for all outstanding shares, American depositary shares and OCEANE of Alcatel-Lucent. The deadline for tendering Alcatel-Lucent shares and OCEANE was on December 23, 2015.

On December 2, 2015, NOKIA's shareholders in an Extraordinary General Meeting adopted the resolution related to the proposed acquisition of Alcatel-Lucent.

During the second quarter of 2015, Alcatel-Lucent informed employees that the conditions attached to the stock-option and performance shares plans granted to them would be modified so that all vesting and performance conditions would be deemed satisfied at the acquisition date, should the employees agree to tender their Alcatel-Lucent shares to the project of future exchange offer by Nokia. Given the contingent nature of these modifications, no related financial impact according to IFRS 2 has been accounted for as of December 31, 2015.

A specific share package contingent upon the closing of the exchange offer was also granted to Mr. Michel Combes, the Group CEO until September 1, 2015. On September 10, 2015, the Board of Directors modified the initial share package and made the following decisions:

- performance units: the performances of the 2013 and 2014 years under the 2013 and 2014 plans have already been assessed and represent 1,025,649 vested performance units. 2015 level of achievement will be evaluated at the beginning of 2016 by the Board of Directors and pro-rated to Mr. Michel Combes' presence during 2015 (i.e. 2/3) representing a maximum of 444,444 performance units; and
- stock-options: March 2014 agreement to grant Mr. Michel Combes 700,000 stock-options was replaced by 350,000 Alcatel-Lucent shares. 2015 level of achievement will be evaluated at the beginning of 2016 by the Board of Directors and pro-rated to Mr. Michel Combes' presence during 2015 (i.e. 2/3) representing a maximum of 58,333 shares.

Both performance units and stock-options will be settled in cash within the month following the assessment of the performances beginning of 2016.

On July 29, 2015, the Board of Directors, upon recommendation of the Compensation Committee and the Corporate Governance and Nominations Committee, in order to ensure the protection of the Company, requested the execution of a non-compete agreement with Mr. Michel Combes.

On September 10, 2015, the Board of Directors maintained the main terms of the non-compete agreement but the amount was reduced to €3.1 million which will be paid in three installments with the first payment on October 30, 2015. An expense of €4.1 million, including payroll taxes, was recorded as of September 30, 2015 in the line item "Transaction-related costs".

Total transaction-related costs for 2015 amounted to €104 million.

Other change

On March 18, 2015, we entered into a new partnership agreement with Louis Dreyfus Armateurs (LDA) for our submarine cable activity. Our subsidiary, Alcatel-Lucent Submarine Networks, acquired the 49% shareholding interest in ALDA Marine, previously held by LDA, for €76 million in cash. LDA remains our strategic marine partner. A €102 million capital gain, corresponding to the re-measurement of our historical 51% stake in ALDA Marine, was recognized in the line item "Other financial income (loss)" of our Income Statement. Alcatel-Lucent Submarine Networks also acquired a cable vessel "Ile d'Aix" for €26 million.

ALDA Marine has been fully consolidated since this date. Corresponding goodwill was not significant.

No other material change in consolidated companies occurred during 2015.

2014

On March 31, 2014, Alcatel-Lucent completed the disposal of LGS Innovations LLC to a U.S.-based company owned by a Madison Dearborn Partners-led investor group that includes CoVant, for a cash selling price of U.S.\$110 million (€81 million) after taking into account all working capital adjustments. The agreement included an earnout of up to U.S.\$100 million, based on the divested company's results of operations for the 2014 fiscal year, for which we did not receive any amount. An €11 million loss was recognized in the line item "Gain/(loss) on disposal of consolidated companies".

On September 30, 2014, Alcatel-Lucent completed the disposal of 85% of its Enterprise business to China Huaxin, for cash proceeds of €205 million, of which €61 million was paid at closing and €141 million on October 9, 2014 (see Note 9).

On December 31, 2014, Alcatel-Lucent completed the disposal of its cyber-security services & solutions and communications security activities to Thales for a cash selling price of €41 million, subject to usual working capital adjustments. A €39 million gain was recognized in the line item "Gain/(loss) on disposal of consolidated companies".

No other material change in consolidated companies occurred during 2014.

2013

No material change in consolidated companies occurred during 2013 except for the agreement signed on December 20, 2013 to sell our subsidiary LGS Innovations LLC (see above).

NOTE 4 CHANGE IN ACCOUNTING POLICY AND PRESENTATION

No change in accounting policy or in presentation occurred in 2015.

NOTE 5 INFORMATION BY OPERATING SEGMENT AND BY GEOGRAPHICAL SEGMENT

In accordance with IFRS 8 "Operating Segments", the information by operating segment comes from the business organization and activities of Alcatel-Lucent.

As a part of The Shift Plan announced on June 19, 2013, a new organization was put in place effective from July 1, 2013 onwards. It was composed of three reportable segments: Core Networking, Access and Other. Due to the sale of LGS Innovations, our Government business in March 2014 and our Enterprise business in September 2014, we no longer have an "Other" segment. This "Other" segment was included in "Other and unallocated". These reportable segments are composed as follows:

- "Core Networking" is composed of the following product divisions: IP Routing, Terrestrial Optics, Wireless Transmission, Submarine, Network Build & Implementation IP, IP Platforms & Platform Professional Services, and Strategic Industries; and
- "Access" is composed of the following product divisions: Wireless and Network Build & Implementation Wireless, RFS (Radio Frequency Systems), Fixed Access and Network Build & Implementation Fixed, Multivendor Maintenance, Licensing and Managed Services.

The comparable period of 2014 and 2013 was re-presented accordingly.

The information by reportable segment follows the same accounting policies as those used and described in these consolidated financial statements.

All inter-segment commercial relations are conducted on an arm's length basis on terms and conditions identical to those prevailing for the supply of goods and services to third parties.

a/ Information by reportable segment

<i>(In millions of euros)</i> 2015	Core Networking	Access	Total reportable segments	Other and unallocated ⁽¹⁾	Total	PPA adjustment ⁽²⁾	Total consolidated
Revenues from external customers	6,780	7,482	14,262	13	14,275	-	14,275
Revenues from transactions with other reportable segments	-	-	-	-	-	-	-
Revenues from reportable segments	6,780	7,482	14,262	13	14,275	-	14,275
Operating income (loss) ⁽³⁾	678	423	1101	(72)	1,029	(25)	1,004
Amounts included in the operating income (loss):							
• depreciation and amortization	328	260	588	1	589	26	615
• material non-cash items other than depreciation and amortization	-	-	-	-	-	-	-

(1) Includes revenues from our non-core businesses and €17 million of share-based compensation expense that are not allocated to reportable segments.

(2) Represents purchase price allocation adjustments (excluding restructuring costs and impairment of assets) related to the Lucent business combination.

(3) Operating income (loss) means Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments.

<i>(In millions of euros)</i> 2014	Core Networking	Access	Total reportable segments	Other and unallocated ⁽¹⁾	Total	PPA adjustment ⁽²⁾	Total consolidated
Revenues from external customers	5,959	7,151	13,110	68	13,178	-	13,178
Revenues from transactions with other reportable segments	7	6	13	(13)	-	-	-
Revenues from reportable segments	5,966	7,157	13,123	55	13,178	-	13,178
Operating income (loss) ⁽³⁾	630	42	672	(49)	623	(51)	572
Amounts included in the operating income (loss):							
• depreciation and amortization	290	204	494	1	495	50	545
• material non-cash items other than depreciation and amortization	-	-	-	-	-	-	-

(1) Includes revenues from a non-core business of 41 million and €21 million of share-based compensation expense that are not allocated to reportable segments.

(2) Represents purchase price allocation adjustments (excluding restructuring costs and impairment of assets) related to the Lucent business combination.

(3) Operating income (loss) means Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments.

<i>(In millions of euros)</i> 2013 ⁽¹⁾	Core Networking	Access	Total reportable segments	Other and unallocated ⁽²⁾	Total	PPA adjustment ⁽³⁾	Total consolidated
Revenues from external customers	6,130	7,437	13,567	246	13,813	-	13,813
Revenues from transactions with other reportable segments	21	10	31	(31)	-	-	-
Revenues from reportable segments	6,151	7,447	13,598	215	13,813	-	13,813
Operating income (loss) ⁽⁴⁾	479	(85)	394	(116)	278	(86)	192
Amounts included in the operating income (loss):							
• depreciation and amortization	293	208	501	15	516	84	600
• material non-cash items other than depreciation and amortization	-	-	-	-	-	-	-

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) Includes revenues from a non-core business of 210 million and €26 million of share-based compensation expense that are not allocated to reportable segments.

(3) Represents purchase price allocation adjustments (excluding restructuring costs and impairment of assets) related to the Lucent business combination.

(4) Operating income (loss) means Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments.

b/ Information by geographical segment

<i>(In millions of euros)</i>	France	Other Western Europe	Rest of Europe	China	Other Asia Pacific	U.S.A.	Other Americas	Rest of world	Consolidated
2015									
Revenues by customer location	817	2,101	281	1,459	1,499	5,913	1,192	1,013	14,275
Non-current assets ⁽¹⁾	872	193	25	292	43	1,321	60	11	2,817
2014									
Revenues by customer location	771	1,929	282	1,342	1,289	5,488	1,009	1,068	13,178
Non-current assets ⁽¹⁾	315	202	24	266	47	1,222	56	11	2,143
2013⁽²⁾									
Revenues by customer location	798	2,125	361	1,097	1,230	5,986	1,209	1,007	13,813
Non-current assets ⁽¹⁾	280	215	28	213	45	1,137	51	14	1,983

(1) Represents intangible and tangible assets.

(2) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

c/ Concentrations

A few large telecommunications service providers account for a significant portion of our revenues. In 2015, Verizon, AT&T and Sprint represented respectively 15%, 14% and 5% of our revenues (respectively 14%, 11% and 10% in 2014 and 12%, 11% and 10% in 2013).

NOTE 6 REVENUES

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Construction contract revenues	2,060	2,314	2,643
Other product revenues	7,743	7,440	6,922
Other service revenues	4,305	3,234	4,087
License revenues	22	22	41
Rental income and other income	145	168	120
Total revenues	14,275	13,178	13,813

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

NOTE 7 FINANCIAL INCOME (LOSS)

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Interest expense related to gross financial debt	(327)	(359)	(462)
Interest income related to cash and marketable securities	58	68	70
Finance costs (net)	(269)	(291)	(392)
Reversal of impairment losses/ (impairment losses) on financial assets	(4)	15	(3)
Net exchange gain (loss)	7	2	(24)
Financial component of pension and post-retirement benefit costs	(121)	(44)	(84)
Capital gain/(loss) on financial assets (shares of equity affiliates or non-consolidated securities and financial receivables) and marketable securities ⁽²⁾	131	-	3
Other ⁽³⁾	(149)	(184)	(210)
Other financial income (loss)	(136)	(211)	(318)
Total financial income (loss)	(405)	(502)	(710)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) 2015: includes €102 million capital gain, corresponding to the re-measurement of our historical 51% stake in ALDA Marine and €26 million capital gain on the disposal of our 40% stake in a joint-venture held by Alcatel-Lucent Submarine Networks.

(3) 2015: mainly includes the change in fair value of a put option on certain shares for €21 million, a €25 million loss related to the partial repurchase of our Senior Notes due 2020 and the reevaluation to the present value of the liability with Qualcomm.

2014: mainly includes a €30 million loss related to the partial repurchase of our Senior Note due 2016 (see Note 24) and a €101 million loss related to the impact of the re-evaluation of our Senior Secured Credit Facility repaid on August 19, 2014 (see Note 24).

2013: of which €134 million related to a net loss on bonds repurchased (€26 million during the second quarter of 2013 and €87 million during the third quarter of 2013 and €21 million during the fourth quarter of 2013), €24 million related to the accelerated amortization of outstanding costs related to the asset sale facility repaid by Alcatel-Lucent USA Inc. during the third quarter of 2013, €(21) million related to the accelerated amortization of outstanding costs related to the euro denominated senior secured facility repaid by Alcatel-Lucent USA Inc. during the fourth quarter of 2013 and €39 million (U.S.\$52 million) related to the change of estimated future cash flows in respect of Lucent Technologies Capital Trust I's 7.75% convertible trust preferred securities in the fourth quarter of 2013 (see Note 24a).

NOTE 8 INCOME TAX

a/ Analysis of income tax (expense) benefit

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Current income tax (expense) benefit	(82)	(61)	(56)
Deferred taxes on temporary differences	3	(6)	43
Deferred taxes recognized/(reversed)	94	383	186
Deferred income tax benefit (expense), net	97	377	229
Income tax benefit (expense)	16	316	173

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

Deferred taxes recognized/(reversed) in 2015 result mainly from a re-assessment of the recoverability of prior-year net operating losses, and of prior-year deductible temporary differences to a lesser extent.

b/ Disclosure of tax effects relating to each component of other comprehensive income

<i>(In millions of euros)</i>	2015			2014			2013		
	Value before tax	Tax (expense) benefit	Value net of tax	Value before tax	Tax (expense) benefit	Value net of tax	Value before tax	Tax (expense) benefit	Value net of tax
Financial assets available for sale	2	-	2	8	-	8	11	-	11
Cumulative translation adjustments	384	-	384	501	-	501	(232)	-	(232)
Cash flow hedging	-	-	-	(1)	-	(1)	-	-	-
Actuarial gains (losses)	933	(55)	878	(1,822)	254	(1,568)	1,667	(256)	1,411
Other	-	-	-	-	-	-	-	-	-
Other comprehensive income	1,319	(55)	1,264	(1,314)	254	(1,060)	1,446	(256)	1,190

c/ Effective income tax rate

The effective tax rate can be analyzed as follows:

<i>(In millions of euros except for percentage)</i>	2015	2014	2013 ⁽¹⁾
Income (loss) before income tax and discontinued operations	286	(350)	(1,442)
Corporate income tax rate (France)	38%	38%	38%
Expected tax (charge) benefit	(109)	133	548
Impact on tax (charge) benefit of:			
• difference in tax rates ⁽²⁾	24	35	20
• reduced taxation of certain revenues	9	-	8
• non deductible impairment of assets	(73) ⁽³⁾	-	(209)
• permanent differences and utilization of previously unrecognized tax losses	215 ⁽⁴⁾	230	136
• adjustment to prior years' current tax charge	(23)	(14)	11
• recognition of previously unrecognized deferred tax assets	539 ⁽⁵⁾	395	162
• deferred tax assets no longer recognized	(33) ⁽⁶⁾	(4)	(9)
• non-recognition of tax losses	(536) ⁽⁷⁾	(519)	(506)
• tax credits	19	41	25
• other	(18)	19	(13)
Actual income tax (charge) benefit	16	316	173
Effective tax rate	(5)%	90.0%	12%

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) Alcatel-Lucent's presence in jurisdictions in which tax rates differ from the French statutory tax rate generates the differences in tax amounts.

(3) Related to the impairment of goodwill of our Submarine division.

(4) Mainly related to the use of tax losses and tax expiration in the United States.

(5) Related to the reassessment of the recoverability of our deferred tax assets in the United States (Alcatel-Lucent USA Inc). At year end 2015, we revised our estimates from a three-year to a five-year tax planning based on our updated business plan (2016-2020). We recognized in 2015 an additional €97 million leading to a total amount of €1,526 million as of December 31, 2015.

(6) Mainly related to impairment of deferred tax assets of Alcatel-Lucent Submarine Networks UK.

(7) Mainly related to the French tax group.

d/ Deferred tax balances

<i>(In millions of euros)</i>	2015	2014	2013
Balances			
Deferred tax assets:			
• deferred tax assets recognizable	13,316	13,758	12,460
• of which not recognized	(11,576)	(12,242)	(11,460)
Net deferred tax assets recognized	1,740	1,516	1,000
Deferred tax liabilities	(946)	(872)	(990)
Net deferred tax assets (liabilities)	794	644	10

Change during the period

<i>(In millions of euros)</i>	December 31, 2014	Income tax benefit (expense)	Translation adjustments	Other	December 31, 2015
Deferred tax assets recognized	1,516	64	159	1	1,740
Deferred tax liabilities	(872)	33	(55)	(51)	(946)
Net deferred tax assets (liabilities)	644	97	104	(51)	794

Analysis of deferred tax assets and liabilities by temporary differences

<i>(In millions of euros)</i>	December 31, 2014	Impact on net income (loss)	Translation adjustments	Reclassification and Other	December 31, 2015
Fair value adjustments of tax assets and liabilities resulting from business combinations	(300)	68	(35)	-	(267)
Provisions	265	(17)	5	(3)	250
Pension reserves	1,578	(36)	156	(323)	1,376
Prepaid pensions	(983)	(35)	(79)	4	(1,094)
Property, plant and equipment and intangible assets	588	(174)	47	1	462
Temporary differences arising from other statement of financial position captions	271	(139)	12	17	162
Tax loss carry-forwards and tax credits	11,467	84	560	(629)	11,482
Deferred tax assets (liabilities), gross	12,886	(250)	665	(932)	12,370
Deferred tax assets not recognized	(12,242)	346	(561)	880	(11,576)
Net deferred tax assets (liabilities)	644	97	104	(51)	794

(1) Mainly U.S.

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Deferred tax assets recognized			
Related to the United States	1,526	1,280	777
Related to other tax jurisdictions	214	236	223
Total	1,740	1,516	1,000

Deferred taxes not recognized relating to temporary differences on investments in subsidiaries, equity affiliates and joint ventures were zero at December 31, 2015, December 31, 2014 and December 31, 2013.

e/ Tax losses carried forward and temporary differences

Tax losses carried forward

Total tax losses carried forward represent a potential tax saving of €11,482 million at December 31, 2015 (11,467 million at December 31, 2014 and €10,618 million at December 31, 2013). The increase of tax losses carried forward between 2015 and 2014 is due to new tax losses (not recognized) of which €523 million arose in the French tax group, partly offset by the use of previously recognized or unrecognized losses mainly in the U.S. tax group for €417 million. Moreover, the change in ownership related to Nokia's acquisition lead to the tax losses expiration for €620 million in Germany. Exchange rate impacts on tax losses between 2015 and 2014 concerning the United States represented an increase of tax losses carried forward of €505 million. The potential tax savings relate to tax losses carried forward that expire as follows:

<i>(In millions of euros)</i>			
Years	Recognized	Unrecognized	Total
2016	39	12	51
2017	136	22	158
2018	152	15	167
2019	275	3	278
2020 and thereafter	147	15	162
2021 and thereafter	825	3,080	3,905
Indefinite	42	6,719	6,761
Total	1,616	9,866	11,482

Temporary differences

<i>(In millions of euros)</i>			
	Recognized	Unrecognized	Total
At December 31, 2013	(63)	915	852
At December 31, 2014	(503)	1,922	1,419
At December 31, 2015	(822)	1,710	887

Recognized net taxable temporary differences of €822 million in 2015 mainly related to deferred tax liabilities in respect of pre-paid pensions, purchase price allocation and the equity component of the OCEANE.

NOTE 9 DISCONTINUED OPERATIONS, ASSETS HELD FOR SALE AND LIABILITIES RELATED TO DISPOSAL GROUPS HELD FOR SALE

Discontinued operations for 2015, 2014 and 2013 were as follows:

- In 2015: relates to additional Enterprise carve-out costs.
- in 2014: on February 6, 2014, Alcatel-Lucent announced that it had received a binding offer from China Huaxin, an existing partner of Alcatel-Lucent's Alcatel-Lucent Shanghai Bell (ASB) joint venture in China, for 85% of the Enterprise business. After having obtained the requisite approvals, the deal closed on September 30, 2014, with most of the Enterprise business transferred. The transferred Enterprise business is presented in discontinued operations in the consolidated income statements and statements of cash flows for all periods presented; and
- in 2013: settlements of litigations related to businesses disposed of in prior periods and a post-closing purchase price adjustment in connection with the Genesys business disposal.

<i>(In millions of euros)</i>			
Income statement of discontinued operations	2015	2014	2013 ⁽¹⁾
Revenues	5	437	623
Cost of sales	(5)	(222)	(302)
Gross profit	-	216	321
Administrative and selling expenses	(2)	(169)	(203)
Research and development costs	-	(33)	(106)
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	(2)	14	12
Restructuring costs	-	(1)	(20)
Gain/(loss) on disposal of consolidated entities	-	-	-
Post-retirement benefit plan amendments	-	-	2
Income (loss) from operations	(2)	12	(6)
Financial income (loss)	-	(3)	(1)
Income tax (expense) benefit	-	(1)	(2)
Income (loss) from discontinued operations before capital gains (losses)	(2)	8	(9)
Net capital gain (loss) on disposal of discontinued operations	(14)	1	(17)
Capital gain on disposal of Enterprise net of related costs and taxes	-	(58)	-
Capital gain on disposal of Genesys net of related costs and taxes	-	-	1
Income (loss) from discontinued operations	(16)	(49)	(25)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations.

Assets held for sale

For 2013, assets and liabilities of disposal groups held for sale include (i) Alcatel-Lucent Networks Services GmbH, the disposal of which was completed on January 7, 2014 in the context of the transfer of the E-Plus managed services business to ZTE, and (ii) LGS Innovations (discussed below).

On December 20, 2013, Alcatel-Lucent signed a definitive agreement for the sale of its subsidiary, LGS Innovations LLC, to a US-based company owned by a Madison Dearborn Partners-led investor group that includes CoVant. On March 31, 2014, we completed the disposal for a cash selling price of U.S.\$110 million (€81 million) after taking into account all working capital adjustments. The agreement includes an earnout of up to U.S.\$100 million based on the divested company's results of operations for the 2014 fiscal year, but for which we are not expecting to receive significant amount.

Other assets held for sale are composed of real estate property sales that were in progress at December 31, 2015, 2014 and 2013.

At December 31, 2014, assets and liabilities of disposal groups held for sale include only the remaining, not yet transferred Enterprise assets and liabilities that are expected to be transferred within one year from the date the deal was closed (September 30, 2014). Alcatel-Lucent Networks Services GmbH and LGS Innovations, which were presented in assets and liabilities of disposal groups held for sale as of December 31, 2013, were disposed of on January 7, 2014 and on March 31, 2014, respectively.

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Statement of financial position			
Goodwill	-	-	-
Intangible and tangible assets	-	2	21
Operating working capital ⁽¹⁾	-	13	38
Cash	-	-	-
Pension reserves	-	-	(7)
Other assets and liabilities	(14)	(20)	(13)
Assets and liabilities of disposal groups held for sale	(14)	(5)	39
<i>Assets of disposal groups held for sale (A)</i>	-	20	133
<i>Liabilities related to disposal groups held for sale (B)</i>	<i>(14)</i>	<i>(25)</i>	<i>(94)</i>
Real estate properties and other assets held for sale (C)	39	45	9
Other liabilities held for sale (D)	-	(7)	-
Total assets held for sale and assets included in disposal groups held for sale (A) + (C)	39	65	142
Total liabilities related to disposal groups held for sale (B) + (D)	(14)	(32)	(94)

(1) As defined in Note 17.

The cash flows of discontinued operations were as follows:

<i>(In millions of euros)</i>	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013 ⁽¹⁾
Net income (loss) from discontinued operations	(16)	(49)	(25)
Net cash provided (used) by operating activities before changes in working capital	11	11	60
Other net increase (decrease) in net cash provided (used) by operating activities	-	23	5
Net cash provided (used) by operating activities (A)	11	34	65
Capital expenditures (B)	-	(48)	(65)
Free cash flow: (A) + (B)	11	(14)	-
Net cash provided (used) by investing activities excluding capital expenditures (C)	30	119	1
Net cash provided (used) by financing activities (D)	-	65	(15)
Total (A) + (B) + (C) + (D)	41	170	(14)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations.

NOTE 10 EARNINGS PER SHARE

The tables below provide the elements used in arriving at the basic earnings (loss) per share and diluted earnings (loss) per share for the periods presented:

Number of shares	2015	2014	2013
Number of ordinary shares issued (share capital)	3,036,337,359	2,820,432,270	2,808,554,197
Treasury shares	(40,115,700)	(40,120,327)	(51,894,411)
Number of shares in circulation	2,996,221,659	2,780,311,943	2,756,659,786
Weighting effect of share issues (of which stock options exercised)	(187,611,934)	(3,867,299)	(317,578,166)
Weighting effect of treasury shares	(1,059)	(9,418,294)	(7,912,902)
Weighted average number of shares outstanding - basic number of shares used for calculating basic earnings per share	2,808,608,666	2,767,026,349	2,431,168,718
Dilutive effects:			
–Equity plans (stock options, RSU)	44,064,974	-	-
–Alcatel-Lucent’s convertible bonds (OCEANE) issued on June 12, 2003 and on September 10, 2009	-	-	-
–Alcatel-Lucent’s convertible bonds (OCEANE) issued on July 3, 2013	-	-	-
–Alcatel-Lucent’s convertible bonds (OCEANE) 1st and 2nd tranche issued on June 10, 2014	-	-	-
–7.75 % convertible trust preferred securities	-	-	-
–2.875% Series A convertible securities	-	-	-
–2.875% Series B convertible securities	-	-	-
Weighted average number of shares outstanding - diluted	2,852,673,640	2,767,026,349	2,431,168,718

As our net result was a loss in 2014 and 2013, stock-options and performance shares’ plans had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the diluted weighted average number of shares or in the calculation of diluted earnings (loss) per share. Additionally, convertible bonds had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the diluted weighted average number of shares or in the calculation of diluted earnings (loss) per share.

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Net income (loss)	257	(118)	(1,304)
Net income (loss) attributable to the equity owners of the parent - basic	257	(118)	(1,304)
Adjustment for dilutive securities on net income: Interest expense related to convertible securities	-	-	-
Net income (loss) - diluted	257	(118)	(1,304)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

The following table summarizes the number of potential ordinary shares that were excluded from the diluted per share calculation because the effect of including these potential shares would be anti-dilutive:

	2015	2014	2013
Equity plans (stock options, RSU)	-	48,335,993	25,156,350
Alcatel-Lucent’s convertible bonds (OCEANE) issued on June 12, 2003 and on September 10, 2009	245,905,350	-	-
Alcatel-Lucent’s convertible bonds (OCEANE) issued on July 3, 2013	262,378,907	370,378,501	370,379,561
Alcatel-Lucent’s convertible bonds (OCEANE) 1st and 2nd tranche issued on June 10, 2014	-	281,999,995	-
7.75% convertible trust preferred securities	-	-	37,557,287
2.875% Series A convertible securities	-	-	-
2.875% Series B convertible securities	-	-	-

NOTE 11 GOODWILL AND IMPAIRMENT LOSSES

a/ Goodwill

<i>(In millions of euros)</i>	Net
Goodwill at December 31, 2012	3,820
Additions	-
Disposals and discontinued operations	-
Changes during goodwill allocation period	-
Impairment losses for the period	(568)
Net effect of exchange rate changes	(99)
Other changes	3
Goodwill at December 31, 2013	3,156
Additions	10
Disposals and discontinued operations	(222)
Changes during goodwill allocation period	-
Impairment losses for the period	-
Net effect of exchange rate changes	237
Other changes	-
Goodwill at December 31, 2014	3,181
Additions	9
Disposals and discontinued operations	-
Changes during goodwill allocation period	-
Impairment losses for the period	(193)
Net effect of exchange rate changes	218
Other changes	-
Goodwill at December 31, 2015	3,215

Main changes accounted for

- 2015: The impairment loss of €193 million was related to Alcatel-Lucent Submarine Networks following an impairment test performed in the third quarter of 2015.
- 2014: The decrease of €222 million was related to the disposal of the Enterprise business. The increase of €10 million was attributable to the acquisition of Optoplan, a Norwegian company; and
- 2013: Impairment losses amounting to €568 million were accounted for during 2013.

Key assumptions used in determining the recoverable values

The recoverable values of our CGUs are based on key assumptions, which could have a significant impact on our consolidated financial statements. The key assumptions used were as follows:

	2015	2014	2013
Source	Business plan	Business plan Shift plan	Business plan Shift plan
Basis of recoverable amount	Fair value ⁽¹⁾ and value in use	Fair value ⁽¹⁾	Fair value ⁽¹⁾
Discount rates (WACC)	9.5%	9.8%	11%
Perpetual growth rates ⁽²⁾	0% to 2.0%	0% to 2.0%	0% to 2.5%

(1) Fair value less costs to sell.

(2) As defined in Note 2c, growth rates used for the cash flow analysis are those used in the Group's budgets and industry rates for the subsequent periods. Perpetual growth rate used for the residual values are between +0% and +2.5% depending on the Group's CGUs.

The methods used to determine recoverable amounts are described in Note 2c.

2015 Annual impairment test

The annual impairment test assumptions that were used were derived from our 5-year Business Plan.

As a result of the 2015 annual impairment test, no impairment loss on goodwill was accounted for in addition to the €193 million charged resulting from the selective impairment test performed during the third quarter of 2015 for our Submarine CGU.

In those cash generating units (Note 1g) in which there is significant goodwill, data and specific assumptions used for the annual goodwill impairment test were as follows:

<i>(In millions of euros)</i>	Net carrying amount of goodwill as of December 31, 2015	Difference between recoverable value (A) and carrying value of the net assets (B) (A) - (B)	Perpetual Growth rate
IP Routing	903	4,762	1.5%
Fixed Networks	758	2,110	1.0%
Submarine	422	36	1.5%
IP Platform	588	1,137	1.0%
IP Transport	323	417	1.5%
Other CGUs	221		0% to 2.0%
TOTAL NET	3,215		

Sensitivity analysis

Holding all other assumptions constant, a 0.5% increase or decrease in the discount rate would have decreased or increased the 2015 recoverable value of all CGUs or groups of CGUs that include goodwill and intangible assets by €553 million and €684 million, respectively. An increase of 0.5% in the discount rate would have led to no impairment loss.

Holding all other assumptions constant related to our Submarine CGU:

- an increase in the discount rate of 0.8% would have led to the recoverable values, being equal to its carrying amount;
- a 0.5% decrease in the perpetual growth rate would have decreased the recoverable values by €10 million; and
- a 5% increase or decrease in the normative free cash-flow would have increased or decreased the recoverable value by €10 million.

Selective impairment test of Alcatel-Lucent Submarine Network as of September 30, 2015

In the wake of our decision to retain Alcatel-Lucent Submarine Networks as a wholly-owned subsidiary and terminate the sale process that had been initiated, we performed in Q3 2015, taking into account all relevant circumstances, an impairment test of our Submarine cash generating unit. This impairment test resulted in a €193 million impairment of goodwill with a corresponding charge.

The recoverable value of our Submarine cash generating unit, included in our Core reporting segment, was assessed according to the fair value less costs to sell methodology. The following key assumptions were used:

- updated business plan, mostly in relation with a revised normative year reflecting high cyclicity of the Submarine business;
- discount rate of 9.8% (after tax); and
- perpetual growth rate of 1.5%, compared to 2% used for the 2014 annual impairment test.

2014 Annual impairment test

The 2014 annual impairment test of goodwill did not result in any impairment loss. The annual impairment test assumptions that were used were derived from The Shift Plan. Significant development of our Wavelength-Division Multiplexing (WDM) revenues for Optical Products was also used as a key assumption for IP Transport.

2013 Annual impairment test

The 2013 annual impairment test of goodwill did not result in any impairment loss that was additional to the €568 million derived from the selective impairment test performed in June 2013 (see below).

The annual impairment test assumptions that were used were derived from The Shift Plan that we launched in June 2013, as detailed in Note 2i, which caused a revision of the five-year forecasted cash flows and terminal values used to determine the recoverable values of certain CGUs.

We also applied the following key assumptions related to the recoverable value for the IP Transport CGU: (i) perpetual growth rate of 1.5%, and (ii) significant development of our WDM revenues in the coming years.

Due to the change in organization effective July 1, 2013 (see Note 5), as from this date, goodwill was reallocated to the new Product Divisions or groups of Product Divisions, corresponding to the CGUs at which level goodwill is monitored and tested for impairment.

Six-month period ended June 30, 2013 selective additional impairment test

The June 19, 2013 announcement concerning the Group's new strategy embodied in The Shift Plan leads to additional restructuring costs. Such additional costs had and could have a negative impact on the recoverable value of our goodwill in certain CGUs, principally in the Wireless product division.

Although all of the goodwill and a significant proportion of the intangible assets of the Wireless product division were impaired at the time of the annual goodwill impairment test carried out during the fourth quarter of 2012, as a result of the implementation of the new organizational structure starting on January 1, 2013 resulting from the announcement of the Performance Plan, and, more particularly, as a result of the inclusion of the Maintenance activity in each product division instead of in a stand-alone product division, we allocated a significant amount of additional goodwill to the Wireless product division. The Shift Plan further adjusted the organizational structure starting July 1, 2013, although it did not change the allocation of the Maintenance activities among the product divisions.

Based on the estimated impact of The Shift Plan on the recoverable value of certain CGUs, management decided to perform a selective impairment test as of June 30, 2013 on three product divisions (i.e. Wireless, Terrestrial Optics and Enterprise). Assumptions made in the 2012 annual impairment test performed in December 2012 were updated based on the assumptions taken into account in The Shift Plan.

As a result of this selective additional impairment test, all the goodwill related to the Wireless product division was impaired, representing an impairment loss of €568 million.

b/ Impairment losses

<i>(In millions of euros)</i> 2015	Core Networking	Access	Other	Not allocated	Total Group
Impairment losses on goodwill	(193)	-	-	-	(193)
Impairment losses on capitalized development costs	-	-	-	-	-
Impairment losses on other intangible assets	-	-	-	-	-
Impairment losses on property, plant and equipment	-	-	-	-	-
Total - Net	(193)	-	-	-	(193)
<i>of which reversal of impairment losses</i>	-	-	-	-	-

<i>(In millions of euros)</i> 2014	Core Networking	Access	Other	Not allocated	Total Group
Impairment losses on goodwill	-	-	-	-	-
Impairment losses on capitalized development costs	-	-	-	-	-
Impairment losses on other intangible assets	-	-	-	-	-
Impairment losses on property, plant and equipment	-	-	-	-	-
Total - Net	-	-	-	-	-
<i>of which reversal of impairment losses</i>	-	-	-	-	-

<i>(In millions of euros)</i> 2013	Core Networking	Access	Other	Not allocated	Total Group
Impairment losses on goodwill	-	(568)	-	-	(568)
Impairment losses on capitalized development costs	-	-	-	-	-
Impairment losses on other intangible assets	-	4	-	-	4
Impairment losses on property, plant and equipment	-	18	-	(2)	16
Total - Net	-	(546)	-	(2)	(548)
<i>of which reversal of impairment losses</i>	-	22	-	-	22

NOTE 12 INTANGIBLE ASSETS

a/ Intangible assets

<i>(In millions of euros)</i>	Capitalized development costs	Other intangible assets	Total
At December 31, 2013			
At cost or valuation	2,380	5,358	7,738
Amortization and impairment	(2,002)	(4,735)	(6,737)
Net book value	378	623	1,001
At December 31, 2014			
At cost or valuation	2,370	6,048	8,418
Amortization and impairment	(2,041)	(5,366)	(7,407)
Net book value	329	682	1,011
At December 31, 2015			
At cost or valuation	2,630	7,061	9,691
Amortization and impairment	(2,239)	(6,017)	(8,256)
Net book value	391	1,044	1,435

Other intangible assets include primarily intangible assets acquired in business combinations (acquired technologies, in-process research and development and customer relationships), patents, trademarks and licenses.

b/ Changes in intangible assets, net

<i>(In millions of euros)</i>	Capitalized development costs	Other intangible assets	Total
At December 31, 2012	421	754	1,175
Capitalization	189	32	221
Additions	-	7	7
Amortization	(223)	(148)	(371)
Impairment losses	-	4	4
Assets held for sale, discontinued operations and disposals	-	(2)	(2)
Net effect of exchange rate changes	(9)	(27)	(36)
Other changes	-	3	3
At December 31, 2013	378	623	1,001
Capitalization	162	73	235
Additions	-	5	5
Amortization	(164)	(97)	(261)
Impairment losses	-	-	-
Assets held for sale, discontinued operations and disposals	(77)	(3)	(80)
Net effect of exchange rate changes	30	74	104
Other changes	-	7	7
At December 31, 2014	329	682	1,011
Capitalization	203	55	258
Additions ⁽¹⁾	-	354	354
Amortization	(172)	(113)	(285)
Impairment losses	-	-	-
Assets held for sale, discontinued operations and disposals	-	2	2
Net effect of exchange rate changes	25	69	94
Other changes	6	(5)	1
At December 31, 2015	391	1,044	1,435

(1) On April 1, 2015, we terminated certain license agreements and entered into new license agreements with Qualcomm for an amount of €335 million accounted for as intangible assets.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

a/ Property, plant and equipment

(In millions of euros)

	Land	Buildings & vessels	Plant, equipment and tools	Other	Total
At December 31, 2013					
At cost or valuation	90	931	2,716	768	4,505
Amortization and impairment	(10)	(558)	(2,277)	(585)	(3,430)
Net book value	80	373	439	183	1,075
At December 31, 2014					
At cost or valuation	88	943	2,867	709	4,607
Amortization and impairment	(11)	(545)	(2,362)	(557)	(3,475)
Net book value	77	398	505	152	1,132
At December 31, 2015					
At cost or valuation	79	1,247	3,027	728	5,081
Amortization and impairment	(12)	(617)	(2,506)	(564)	(3,699)
Net book value	67	630	521	164	1,382

b/ Changes in property, plant and equipment, net

(In millions of euros)

	Land	Buildings & vessels	Plant, equipment and tools	Other	Total
At December 31, 2012	107	427	456	143	1,133
Additions	-	13	90	220	323
Amortization charge	(1)	(51)	(206)	(37)	(295)
Impairment losses ⁽¹⁾	(4)	-	(1)	-	(5)
Reversals of impairment losses ⁽¹⁾	4	2	12	-	18
Assets held for sale, discontinued operations and disposals	(28)	(15)	(8)	-	(51)
Changes in consolidated group	-	-	-	(2)	(2)
Net effect of exchange rate changes	(4)	(13)	(13)	(5)	(35)
Other changes	6	10	109	(136)	(11)
At December 31, 2013	80	373	439	183	1,075
Additions	-	32	96	199	327
Amortization charge	(1)	(49)	(208)	(36)	(294)
Impairment losses ⁽¹⁾	-	-	-	-	-
Reversals of impairment losses ⁽¹⁾	-	-	-	-	-
Assets held for sale, discontinued operations and disposals	(9)	(20)	(20)	(11)	(60)
Changes in consolidated group	-	-	-	-	-
Net effect of exchange rate changes	9	33	35	7	84
Other changes	(2)	29	163	(190)	-
At December 31, 2014	77	398	505	152	1,132
Additions	-	24	87	213	324
Amortization charge	(1)	(59)	(232)	(38)	(330)
Impairment losses ⁽¹⁾	-	-	-	-	-
Reversals of impairment losses ⁽¹⁾	-	-	-	-	-
Assets held for sale, discontinued operations and disposals	(19)	9	56	(2)	44
Changes in consolidated group	-	223	(1)	(1)	221
Net effect of exchange rate changes	7	30	27	8	72
Other changes	3	5	80	(168)	(80)
At December 31, 2015	67	631	522	164	1,382

(1) Refer to Note 11b.

c/ Finance leases

Property, plant and equipment held under finance leases have a net carrying amount of €41 million at December 31, 2015 (€45 million at December 31, 2014 and €51 million at December 31, 2013). Such finance leases relate primarily to IS/IT equipment sold and leased back in connection with the Hewlett Packard co-sourcing agreement (refer to Note 28).

Future minimum lease payments under non-cancellable finance leases are shown in Note 28a - Off balance sheet commitments.

NOTE 14 INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND INTERESTS IN SUBSIDIARIES

a/ Investments in associates and joint ventures

<i>(In millions of euros)</i>	Value		
	2015	2014	2013
Equity affiliates of Alcatel-Lucent Shanghai Bell	9	9	9
Alda Marine ⁽¹⁾	-	16	13
AMIRIB ⁽¹⁾	-	12	7
Tetron	10	8	5
Other (less than €5 million each)	1	6	1
Investments in associates and joint ventures	20	51	35

(1) Alda Marine and AMIRIB have been fully consolidated since March 18, 2015 (see note 3).

b/ Change in investments in associates and joint ventures

<i>(In millions of euros)</i>	2015	2014	2013
Carrying amount at January 1	51	35	29
Change in equity affiliates accounted for under the equity method ⁽¹⁾	(34)	-	-
Share of net income (loss)	2	15	7
Net effect of exchange rate changes	1	1	-
Other changes	-	-	(1)
Carrying amount at December 31	20	51	35

(1) Relates to the full consolidation of Alda Marine (see note 3).

c/ Summarized financial information for associates and joint ventures

Aggregated financial information for associates and joint ventures as if those entities were consolidated at 100%:

<i>(In millions of euros)</i>	2015	2014	2013
Total assets	230	305	234
Liabilities (excluding equity)	177	186	148
Equity	53	119	86
Revenues	63	118	107
Net income (loss) attributable to equity owners of the parent	(3)	24	19

d/ Interests in subsidiaries

The Group has a material non-wholly owned subsidiary, Alcatel-Lucent Shanghai Bell Co. Ltd, which has material non-controlling interests (50% less one share). Alcatel-Lucent Shanghai Bell Co. Ltd and its subsidiaries in China and in the rest of the world, including the RFS Group, make up the "Alcatel-Lucent Shanghai Bell Group". Materiality of the non-controlling interests was determined based on the significance of the Alcatel-Lucent Shanghai Bell Group's revenues and statement of financial position to the Group's financial statements. Non-controlling interests in other subsidiaries are individually immaterial.

<i>(In millions of euros)</i>	Non - controlling interests	Of which Alcatel-Lucent Shanghai Bell Group		
		Net contribution	Eliminations	Before intragroup eliminations
Balance at December 31, 2012	745	666	-	-
Non-controlling interests in 2013 income	10	2	(4)	6
Other changes ⁽¹⁾	(25)	(13)	-	-
Balance at December 31, 2013	730	655	-	-
Non-controlling interests in 2014 income	35	18	5	13
Other changes ⁽¹⁾	68	75	-	-
Balance at December 31, 2014	833	748	-	-
Non-controlling interests in 2015 income	29	16	1	15
Other changes ⁽¹⁾	42	53	-	-
Balance at December 31, 2015	904	816	-	-

(1) This amount primarily relates to net gains (losses) recognized directly in equity attributable to non-controlling interests, dividends paid and the currency translation impact.

Alcatel-Lucent Shanghai Bell Group - Summarized financial information

(In millions of euros)	2015	2014	2013
Amounts before intragroup eliminations			
Income statement			
Revenues	2,486	2,949	2,130
Income (loss) from operations	4	35	(8)
Net Income (loss)	30	26	3
Attributable to:			
- Equity owners of the parent	15	13	(3)
- Non-controlling interests	15	13	6
Statement of financial position			
Non-current assets	552	517	430
Non-current liabilities	(35)	(127)	(115)
Operating working capital ⁽¹⁾	(214)	76	(10)
Cash and cash equivalents ^{(2) (4)}	1,648	1,217	1,139
Financial debt	(134)	(142)	(44)
Statement of cash flows			
Net cash provided (used) by operating activities	446	(30)	101
Free cash flow ⁽³⁾	351	(139)	19
Net cash provided (used) by investing activities	(137)	28	(28)
Net cash provided (used) by financing activities	8	83	(76)
<i>Of which dividends paid to non-controlling interests</i>	-	-	-

(1) As defined in Note 17.

(2) As defined in Note 24.

(3) As defined in Note 27b.

(4) Includes €1,505 million cash and cash equivalents held in countries subject to exchange control restrictions as of December 31, 2015 (€988 million as of December 31, 2014 and €652 million as of December 31, 2013).

NOTE 15 FINANCIAL ASSETS

(In millions of euros)	December 31, 2015			December 31, 2014			December 31, 2013		
	Other non-current financial assets, net ⁽¹⁾	Marketable securities ⁽²⁾	Total	Other non-current financial assets, net ⁽¹⁾	Marketable securities ⁽²⁾	Total	Other non-current financial assets, net ⁽¹⁾	Marketable securities ⁽²⁾	Total
Financial assets available for sale	228	159	387	226	167	393	172	158	330
Financial assets at fair value through profit or loss	103	1,467	1,570	100	1,505	1,605	91	2,101	2,192
Financial assets at amortized cost ⁽³⁾	30	-	30	80	-	80	59	-	59
Total	361	1,626	1,987	406	1,672	2,078	322	2,259	2,581

(1) Of which €16 million matures within one year as of December 31, 2015 (€22 million as of December 31, 2014 and €22 million as of December 31, 2013).

(2) All of which is current as of December 31, 2015, 2014 and 2013.

(3) Of which €32 million relates to a loan to the former Enterprise business as of December 31, 2014. The loans to Alda Marine and AMIRIB that represented €7 million as of December 31, 2013 and €24 million as of December 31, 2012 respectively were reimbursed in 2014.

No financial asset is considered as being held to maturity.

The cumulated fair value changes of financial assets available for sale represented a potential gain of €55 million as of December 31, 2015 that was booked directly in equity (€48 million as of December 31, 2014 and €40 million as of December 31, 2013).

a/ Financial assets available for sale

(In millions of euros)	December 31, 2015			December 31, 2014			December 31, 2013		
	Other non-current financial assets	Marketable securities	Total	Other non-current financial assets	Marketable securities	Total	Other non-current financial assets	Marketable securities	Total
Net carrying amount at January 1	226	167	393	172	158	330	181	146	327
Additions/(disposals)	(3)	(10)	(13)	43	-	43	(3)	-	(3)
Fair value changes	(1)	2	1	(1)	9	8	(1)	12	11
Impairment losses ⁽¹⁾	(1)	-	(1)	(1)	-	(1)	(1)	-	(1)
Change in consolidated group	-	-	-	-	-	-	-	-	-
Other changes	7	-	7	13	-	13	(4)	-	(4)
Net carrying amount at December 31	228	159	387	226	167	393	172	158	330
Of which:									
• at fair value ⁽²⁾	8	159	167	9	167	176	7	158	165
• at cost	220	-	220	217	-	217	165	-	165

(1) Included in the amounts reported in Note 11b.

(2) Fair value hierarchy is presented in Note 1q-ii and Note 26c.

Financial assets available for sale are stated at fair value, except for non-listed financial assets, which are stated at amortized cost, if no reliable fair value exists.

(In millions of euros)	2015	2014	2013
Fair value changes:			
Fair value changes recognized directly in other comprehensive income	2	8	11
Changes resulting from gains (losses) previously recognized in other comprehensive income now recognized in net income (loss) due to disposals	-	-	-
Total	2	8	11

b/ Financial assets at fair value through profit or loss

(In millions of euros)	2015	2014	2013
Net carrying amount at January 1	1,605	2,192	1,480
Additions/(disposals)	(63)	(626)	715
Fair value changes	-	6	6
Other changes (CTA revaluation)	28	33	(9)
Net carrying amount at December 31	1,570	1,605	2,192

c/ Financial assets at amortized cost

(In millions of euros)	2015	2014	2013
Net carrying amount at January 1	80	59	62
Additions/(disposals)	(45)	23	(16)
Impairment losses ⁽¹⁾	(2)	16	(2)
Change in consolidated group	-	-	-
Other changes (reclassifications)	(3)	(18)	15
Net carrying amount at December 31	30	80	59

(1) Included in the amounts reported in Note 11b.

NOTE 16 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

(In millions of euros)	December 31, 2015	December 31, 2014	December 31, 2013
Cash	3,355	2,399	2,473
Cash equivalents	1,550	1,479	1,623
Of which money market mutual funds	1,170	1,096	1,476
Of which Other (certificates of deposit, treasury bills, etc)	380	383	147
Cash and Cash Equivalents - excluding discontinued operations	4,905	3,878	4,096
Cash in discontinued operations	-	-	-
Cash and Cash Equivalents - including discontinued operations	4,905	3,878	4,096

As of December 31, 2015, €1,505 million of cash and cash equivalents were held in countries subject to exchange control restrictions (mainly China) (€1,019 million as of December 31, 2014 and €756 million as of December 31, 2013).

NOTE 17 OPERATING WORKING CAPITAL

Operating working capital

Operating working capital represents the working capital resulting from current operating assets and liabilities, as presented below. We define operating working capital by excluding other current assets and other current liabilities from working capital.

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Inventories and work in progress, net	1,600	1,971	1,935
Trade receivables and other receivables, net ⁽¹⁾	2,535	2,528	2,482
Advances and progress payments, net	45	43	46
Customers' deposits and advances	(794)	(810)	(681)
Trade payables and other payables	(3,578)	(3,571)	(3,518)
Operating working capital, net	(192)	161	264

(1) Amounts of trade receivables sold without recourse and the impact of these transfers on the cash flow statement are detailed in Note 20.

<i>(In millions of euros)</i>	December 31, 2014	Cash flow	Change in consolidated group ⁽¹⁾	Translation adjustments and other	December 31, 2015
Inventories and work in progress	2,366	(342)	10	(41)	1,993
Trade receivables and other receivables ⁽²⁾	2,721	(93)	7	68	2,703
Advances and progress payments	43	(5)	4	3	45
Customers' deposits and advances	(810)	53	-	(37)	(794)
Trade payables and other payables	(3,571)	227	(2)	(232)	(3,578)
Operating working capital, gross	749	(160)	19	(239)	369
Cumulated valuation allowances	(588)	-	(3)	30	(561)
Operating working capital, net	161	(160)	16	(209)	(192)

(1) Mainly related to the Enterprise business that was reclassified to "Discontinued operations" as of December 31, 2013 (see Note 9).

(2) Amounts of trade receivables sold without recourse and the impact of these transfers on the cash flow statement are detailed in Note 20.

Amounts due from / to customers on construction contracts

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Analysis of amounts due from/to customers on construction contracts			
Amounts due from customers on construction contracts	382	613	757
Amounts due to customers on construction contracts	(75)	(96)	(82)
Total	307	517	675
Work in progress on construction contracts, gross	314	499	487
Work in progress on construction contracts, depreciation	(3)	(7)	(2)
Accrued receivables on construction contracts	87	117	270
Product sales reserves - construction contracts	(91)	(92)	(80)
Total	308	517	675

NOTE 18 INVENTORIES AND WORK IN PROGRESS

a/ Analysis of net value

<i>(In millions of euros)</i>	2015	2014	2013
Raw materials and goods	184	231	265
Work in progress excluding construction contracts	728	842	817
Work in progress on construction contracts, gross	314	499	487
Finished products	767	794	761
Gross value	1,993	2,366	2,330
Valuation allowance	(393)	(395)	(395)
Total, net	1,600	1,971	1,935

b/ Change in valuation allowance

<i>(In millions of euros)</i>	2015	2014	2013
At January 1	(395)	(395)	(448)
(Additions)/ reversals	(144)	(139)	(106)
Utilization	28	54	45
Changes in consolidated group	(3)	9	9
Net effect of exchange rate changes and other changes	121	76	105
At December 31	(393)	(395)	(395)

NOTE 19 TRADE RECEIVABLES AND RELATED ACCOUNTS**Trade receivables and other receivables, net**

<i>(In millions of euros)</i>	2015	2014	2013
Receivables bearing interest	5	1	5
Other trade receivables	2,698	2,720	2,634
Gross value	2,703	2,721	2,639
Accumulated impairment losses	(168)	(193)	(157)
Total, net	2,535	2,528	2,482
<i>Of which due after one year on the net value</i>	99	108	39

Customers' deposits and advances

<i>(In millions of euros)</i>	2015	2014	2013
Advance payments received on construction contracts	63	57	68
Other deposits and advances received from customers	731	753	613
Total customers' deposits and advances	794	810	681
Of which:			
• <i>portion due within one year</i>	742	767	640
• <i>portion due after one year</i>	52	43	41

NOTE 20 FINANCIAL ASSETS TRANSFERRED**a/ Receivables sold without recourse****Balances**

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Outstanding amounts of receivables sold without recourse ⁽¹⁾	1,978	1,678	1,343

(1) Without recourse in case of payment default by the debtor. We have no material continuing involvement in the receivables sold without recourse which are derecognized in their entirety.

Changes in receivables sold without recourse

<i>(In millions of euros)</i>	2015	2014	2013
Impact on cash flows from operating activities	300	335	232

b/ Receivables transferred that are not derecognized in their entirety

Receivables related to French R&D tax credits (i.e. "Crédits d'Impôt Recherche") were sold to banks but not derecognized from the statement of financial position as we are keeping substantially all risks and rewards related to those receivables, due to the ability of the buyer to retroactively cancel the sale in certain circumstances and to the existence of a selling price adjustment if the receivable is redeemed before or after its contractual maturity (i.e. three years) by the French State.

These receivables represented an amount of €230 million as of December 31, 2015 (€233 million as of December 31, 2014 and €248 million as of December 31, 2013) included in our financial debt (other financial debt).

NOTE 21 OTHER ASSETS AND LIABILITIES

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Other assets			
Other current assets	778	877	751
Other non-current assets	509	429	413
Total	1,287	1,306	1,164
<i>Of which:</i>			
• <i>Currency derivatives</i>	174	149	18
• <i>Interest-rate derivatives - hedging</i>	4	2	11
• <i>Interest-rate derivatives - other</i>	-	-	-
• <i>Commodities derivatives</i>	-	-	-
• <i>Other tax receivables</i>	716	730	747
• <i>Other current and non-current assets</i>	393	425	388
Other liabilities			
Other current liabilities	(1,789)	(1,429)	(1,237)
Other non-current liabilities	(561)	(175)	(188)
Total	(2,350)	(1,604)	(1,425)
<i>Of which:</i>			
• <i>Currency derivatives</i>	(108)	(51)	(54)
• <i>Interest-rate derivatives - hedging</i>	-	-	(21)
• <i>Interest-rate derivatives - other</i>	(11)	(9)	-
• <i>Commodities derivatives</i>	-	-	-
• <i>Other tax payables</i> ⁽¹⁾	(434)	(352)	(287)
• <i>Accrued wages and social charges</i>	(1,092)	(850)	(794)
• <i>Other current and non-current liabilities</i>	(705)	(343)	(269)

(1) As of December 31, 2015 and 2014, respective amounts of €131 million and €64 million of VAT which were due to the French tax administration had not been declared. A provision for late payment interests was recorded as of December 31, 2015 for €6 million.

NOTE 22 EQUITY

a/ Capital stock and additional paid-in capital

At December 31, 2015, the capital stock consisted of 3,036,337,359 ordinary shares of nominal value €0.05 (of 2,820,432,270 ordinary shares of nominal value €0.05 at December 31, 2014 and 2,808,554,197 ordinary shares of nominal value €0.05 at December 31, 2013).

During 2015, increases in capital stock and additional paid-in capital amounted to €374 million. These net increases resulted from the following transactions:

- issuance of 42,831,440 shares for €82 million, mainly as a result of the exercise of stock options and the vesting of performance shares (including additional paid-in capital of €80 million);
- conversion of the outstanding OCEANE due 2018 into 147,958,658 Alcatel-Lucent shares generating a capital increase of €211 million (including additional paid-in capital of €204 million);
- conversion of the outstanding OCEANE due 2019 into 15,220,628 Alcatel-Lucent shares generating a capital increase of €49 million (including additional paid-in capital of €48 million); and
- conversion of the outstanding OCEANE due 2020 into 9,894,363 Alcatel-Lucent shares generating a capital increase of €32 million (including additional paid-in capital of €31 million).

During 2014, increases in capital stock and additional paid-in capital amounted to €15 million. These net increases resulted from the following transactions:

- issuance of 11,878,073 shares for €15 million, mainly as a result of the exercise of options and the vesting of performance shares (including additional paid-in capital of €14 million).

During 2013, net increases in capital stock and additional paid-in capital amounted to €990 million. These increases resulted from the following transactions:

- issuance of 455,568,488 shares for €926 million (including additional paid-in capital of €903 million);
- issuance of 10,763,621 shares for €16 million, mainly as a result of the exercise of stock options and the vesting of performance shares (including additional paid-in capital of €11 million);
- conversion of the outstanding OCEANE due 2015 into 15,658,262 Alcatel-Lucent shares generating a capital increase of €48 million (including additional paid-in capital of €47 million); and

- capital reduction of €1.95 per share from a nominal value of €2 to €0.05 generating a decrease in the nominal value of capital stock of €4,542 million and an increase in additional paid-in capital of €4,542 million.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders (see Note 22d), or repurchase its own shares (see Note 22c) or issue new shares, or issue convertible bonds or similar instruments.

The Group is not party to any contract restricting the issuance of additional equity.

b/ Stock options, performance shares and share-based payments

Share-based payments

During the vesting period, estimated annual forfeiture rates of 5% for share-based payments granted are applied when determining compensation expense. The estimated forfeiture rate is ultimately adjusted to actual.

Share-based payments cancelled after the vesting period and share-based payments not exercised do not result in correcting charges previously recognized.

Impact on income (loss) from operating activities of share-based payments resulting from stock options, stock purchase plans and restricted stock and cash units

Compensation expense recognized for share-based payments in accordance with IFRS 2 is analyzed as follows:

(In millions of euros)	2015	2014	2013
Compensation expense for share-based payments	30	23	27
Of which equity settled ⁽¹⁾	26	16	19
Of which cash settled ⁽²⁾	4	7	8

(1) Of which €11 million corresponding to a retention plan classified in "Transaction-related costs" of the income statement.

(2) Includes grants of phantom shares and French taxes paid at the grant date by Alcatel-Lucent for stock options, restricted stock units and performance shares granted from January 1, 2008 onwards.

The reserve for cash settled instruments is €14 million at December 31, 2015 (€12 million at December 31, 2014 and €6 million at December 31, 2013).

Stock options

Details of stock options at December 31, 2015 are as follows:

Grant date	Exercise period	Exercise price ⁽¹⁾	Number of stock options granted ⁽¹⁾	Number of outstanding stock options ⁽¹⁾	Number of vested stock options ⁽¹⁾
3/25/08	3/25/09 to 3/24/16	€3.596	49,601,042	18,024,133	18,024,133
7/1/08	7/1/09 to 6/30/16	€4.164	229,515	69,703	69,703
12/31/08	12/31/09 to 12/30/16	€1.893	2,099,746	26,686	26,686
3/18/09	3/18/10 to 3/17/17	€1.893	54,344,640	15,359,749	15,359,749
7/1/09	7/1/10 to 6/30/17	€1.893	458,597	15,370	15,370
10/1/09	10/1/10 to 9/30/17	€2.744	287,390	27,479	27,479
12/1/09	12/1/10 to 11/30/17	€2.366	110,985	19,024	19,024
3/17/10	3/17/11 to 3/16/18	€2.271	19,492,023	3,055,705	3,055,705
7/1/10	7/1/11 to 6/30/18	€2.082	739,569	23,781	23,781
10/1/10	10/1/11 to 9/30/18	€2.176	892,366	259,968	259,968
12/9/10	12/9/11 to 12/8/18	€2.082	130,655	21,667	21,667
3/1/11	3/1/12 to 2/28/19	€3.028	635,597	86,488	86,488
3/16/11	3/16/12 to 3/15/19	€3.501	11,738,649	5,582,778	5,582,778
6/1/11	6/1/12 to 5/31/19	€3.974	427,713	151,175	151,175
9/1/11	9/1/12 to 8/31/19	€2.366	178,297	71,670	71,670
12/1/11	12/1/12 to 11/30/19	€1.893	152,467	42,808	42,808
3/14/12	3/14/13 to 3/13/20	€1.893	11,286,981	4,415,051	2,763,011
8/13/12	8/13/13 to 8/12/20	€1.893	399,202	76,101	51,784
12/17/12	12/17/13 to 12/16/20	€1.893	99,628	24,581	17,438
7/12/13	7/12/14 to 7/11/21	€1.419	23,655,950	12,283,090	3,078,771

(1) Values have been updated to reflect the capital increase.

Conditions of settlement

All stock options granted by historical Alcatel or historical Lucent (each prior to the business combination) or Alcatel-Lucent are exclusively settled in shares, except those for which the vesting will be accelerated contingent upon success of the offer as further described in Note 3 above.

Vesting conditions for plans covered by IFRS 2

Vesting	Options granted before May 2010 (except for the March 2009 grant to all employees and options granted after May 2008 to Management Committee members)	Options granted after May 2008 and before December 2010 to Management Committee members	Options granted after January 2011 to Management Committee members	Options granted in March 2009 to all employees	Options granted after June 2010 to employees (ex Management Committee members)
Service conditions	Successive portions over 4 years: 25% of the options are vested after 12 months and, for each month after the first year, 1/48.	For employees with a French employment contract: Successive portions over 4 years: 50% after 2 years, 25% after 3 years and 25% after 4 years. For other employees: linearly over 4 years (25% per year).	For employees with a French employment contract: Successive portions over 4 years: 50% after 2 years, 25% after 3 years and 25% after 4 years. For other employees: linearly over 4 years (25% per year).	Two successive tranches, at 50% per year over two years.	For employees with a French employment contract: Successive portions over 4 years: 50% after 2 years, 25% after 3 years and 25% after 4 years. For other employees: linearly over 4 years (25% per year).
Performance	Not applicable.	Applied to 50% of the grant. Alcatel-Lucent shares will be measured yearly in relation to a representative sample of 14 peer group companies that are solution and service providers in the telecommunications equipment sector. Vesting depends on the Alcatel-Lucent ranking compared to its peers.	Applied to 50% of the grant. Performance condition is linked to a financial criterion based on the "Free Cash Flow". At the end of each period, depending on the performance level achieved, a coefficient of 100%, 75%, 50%, 20% or 0% is used to calculate the number of rights vested for each period.	Not applicable.	Not applicable.

Number of options and exercise prices

Information on the number of stock options and exercise prices is presented below:

	All plans	
	Number of stock options	Weighted average exercise price (in euros)
At January 1, 2012	175,879,780	5.58
Granted	11,255,155	2.00
Exercised	(46,596)	0.76
Forfeited	(10,926,218)	4.91
Expired	(12,437,061)	13.20
At December 31, 2012	163,725,060	4.80
Granted until December 9, 2013	22,417,900	1.50
Exercised until December 9, 2013	(5,396,922)	2.06
Forfeited until December 9, 2013	(18,274,115)	4.46
Expired until December 9, 2013	(12,636,462)	9.76
At December 9, 2013 before capital increase	149,835,461	4.03
Capital increase effect	8,553,374	(0.22)
At December 9, 2013 after capital increase	158,388,835	3.81
Exercised from December 10, 2013 to December 31, 2013	(2,537,051)	1.97
Forfeited from December 10, 2013 to December 31, 2013	(1,693,337)	4.68
Expired from December 10, 2013 to December 31, 2013	(1,422)	1.19
At December 31, 2013	154,157,025	3.83
Exercised	(7,500,665)	1.96
Forfeited	(12,631,995)	3.91
Expired	(9,568,388)	10.99
Outstanding at December 31, 2014	124,455,977	3.38
Exercised	(38,595,366)	2.13
Forfeited	(6,295,635)	2.98
Expired	(19,927,969)	8.61
Outstanding at December 31, 2015	59,637,007	2.49

Fair value

The fair value of stock options is measured at granting date using the Cox-Ross-Rubinstein binomial model. This allows behavioral factors governing the exercise of stock options to be taken into consideration and to consider that all options will not be systematically exercised by the end of the exercise period. The expected volatility is determined as being the implied volatility at the grant date.

Assumptions and fair values for the main plans are as follows:

Plan	Grant date	Share price at grant date (in euros)	Expected volatility	Risk-free rate	Distribution rate on future income	Fair value (in euros)
March 2009	03/18/2009	1.228	64%	3.00%	0.8% per year	0.49
March 2009 All employees	03/18/2009	1.228	64%	3.00%	0.8% per year	0.46
March 2010	03/17/2010	2.400	45%	3.00%	0.8% per year	0.95
March 2011	03/16/2011	3.700	40%	3.00%	0.8% per year	1.40
March 2012	03/14/2012	1.800	60%	1.50%	0.8% per year	0.82
July 2013	07/12/2013	1.500	58%	1.50%	0.8% per year	0.68

Other plans have fair values between €0.28 and €2.13 and a weighted average fair value of €1.04.

Plans related to acquired companies

Certain plans that existed at companies acquired in business combinations were converted into historical Alcatel or Alcatel-Lucent subscription stock option plans or stock purchase plans. For plans of companies acquired, the vesting conditions and the option lives of the original plans remain in place.

The option plans of companies that were acquired by Alcatel provide for the issuance of Alcatel-Lucent shares or ADSs upon exercise of options granted under such plans in an amount determined by applying the exchange ratio used in the acquisition to the number of shares of the acquired company that were the subject of the options.

Upon exercise, Alcatel-Lucent will issue new ADSs (and, consequently, shares).

Performance shares

Conditions of settlement

All performance shares granted by Alcatel-Lucent are exclusively settled in shares.

Vesting conditions for Performance Shares granted in 2009 and 2010

The following rules are applicable to all performance share plans granted by Alcatel-Lucent in 2009 and 2010:

- service condition: For a beneficiary who is an employee and/or Executive Officer of a company within the Group with its registered office in France, his/her performance shares will vest at the end of a two-year vesting period. Such performance shares will be available following the expiration of a two-year holding period. For a beneficiary who is an employee and/or Executive Officer of a company within the Group with its registered office outside of France, the vesting period is four years, with no additional holding period; and
- performance condition: Evaluation of the Group's performance must be based on the same criteria as those used for the Global Annual Incentive Plan. For each of the criteria, quantified targets will be fixed at the start of each year for the current fiscal year. At the end of the two or four-year vesting periods, so long as the beneficiary has been an employee of the Group for two years (with limited exceptions) the number of performance shares that will vest will depend on the achievement, based on an average, of the annual Group performance targets set by our Board for the two or four-year periods.

Vesting conditions for Performance Shares granted in 2011

The following rules are applicable to all performance share plans granted by Alcatel-Lucent in 2011:

- service condition: For a beneficiary who is an employee and/or Executive Officer of a company within the Group with its registered office in France, his/her performance shares will vest at the end of a two-year vesting period. Such performance shares will be available following the expiration of a two-year holding period. For a beneficiary who is an employee and/or Executive Officer of a company within the Group with its registered office outside of France, the vesting period is four years, with no additional holding period; and
- performance condition: It is based on the Alcatel-Lucent share price performance measured over two years against a representative sample of 12 other solution and service providers in the telecommunications equipment sector. The sample was chosen to obtain Alcatel-Lucent's ranking among the following issuers: F5 Networks, Ciena, Juniper, ZTE, Tellabs, Arris, Cisco, ADTRAN, Comverse, Nokia, Ericsson and Motorola Solutions Inc. This sample of providers may be revised as the companies included evolve (due to mergers, bankruptcies, etc). The reference share price is calculated on the basis of the opening price for Alcatel-Lucent shares on the Euronext Paris market for the 20 trading days preceding the end of each one-year period. The changes in the share price of Alcatel-Lucent and the other issuers in the sample are measured at the end of the two reference periods of one year, which each counts for 50% of the rights granted. Depending on Alcatel-Lucent's share price performance, a different coefficient is used to calculate the number of rights acquired during each period. The coefficient may be 100%, 70%, 50%, 20% or 0%, the latter corresponding to the case where Alcatel-Lucent is last in this ranking. The coefficient used for the second period applies to the balance of rights that are not acquired during the first period. For the purposes of determining the final number of vested performance shares at the expiration of the vesting period, with respect to the employees in Group companies having their registered office outside France, the performance of the Company's share price and of the other issuers, who form part of the representative selection, will be calculated once again on the fourth anniversary date of the Grant Date. All issuers' reference share prices at the Grant date will be compared to the average of all issuers' reference share prices determined at each anniversary date of the Grant date during the 4-year vesting period, in order to establish a ranking of the Company and the other issuers in accordance with the performance of their share price for the whole four-year period. If the Company is not ranked in last position, the total number of performance shares as determined at the end of the second period will finally vest at the end of the vesting period.

Vesting conditions for Performance Shares granted in 2014 and 2015

- service condition: 50% of the performance shares vest at the end of a two-year vesting period and the remaining 50% vest at the end of a four-year period; and
- performance condition: it is based on the Alcatel-Lucent share price measured over a two-year period and a four year period against a representative sample of 10 other solution and service providers in the telecommunications equipment sector. The sample was chosen to obtain Alcatel-Lucent's share price performance compared to the share price performance median among the following group: ADTRAN, Amdocs, Arris, Ciena, Cisco, CommScope, Ericsson, Juniper, Nokia and ZTE. This sample may be revised based on changes at these companies, especially in case of transactions concerning their structure that may affect their listing. Each period counts for 50% of the rights granted.
 - tranche 1: two-year period from year 1 to 2: depending on Alcatel-Lucent's share price performance, a coefficient ranging from 0 to 100%, based on the Alcatel-Lucent share price performance compared

with the median of the sample group, is used to calculate the number of shares vested during the first tranche,

- o tranche 2: four-year period from year 1 to 4: depending on Alcatel-Lucent's share price performance, a coefficient ranging from 0 to 100%, based on the Alcatel-Lucent share price performance compared with the median of the sample group, is used to calculate the number of shares vested during the second tranche. For purposes of determining the final number of performance shares vested at the end of the vesting period, a minimum condition is considered: if the Alcatel-Lucent share performance is below 60% of the sample group, no rights are vested even those that could have been acquired at the end of the Tranche 1 period. Also, if the level of realization of the performance condition at the end of Tranche 2 is superior to the one at the end of Tranche 1, the level of realization of the performance condition at the end of Tranche 2 shall apply to the whole vesting of performance shares.

Number of performance shares granted and changes in number of performance shares

The change in number of performance shares is shown below:

<i>(In number of performance shares)</i>							
Grant date	03/18/09	03/17/10	03/16/11	03/14/12	07/12/13	09/15/14	07/29/15
Outstanding at December 31, 2012	5,222,867	5,448,012	9,245,341	10,289,863	-	-	-
Granted until December 9, 2013	-	-	-	-	2,368,500	-	-
Acquired until December 9, 2013	(1,880,603)	(3,716)	(988,790)	(10,350)	-	-	-
Forfeited until December 9, 2013	(3,342,264)	(17,496)	(1,085,897)	(1,227,938)	-	-	-
At December 9, 2013 before capital increase	-	5,426,800	7,170,654	9,051,575	2,368,500	-	-
Capital increase effect	-	312,876	410,201	517,299	134,497	-	-
At December 9, 2013 after capital increase	-	5,739,676	7,580,855	9,568,874	2,502,997	-	-
Acquired from December 10, 2013 to December 31, 2013	-	-	-	-	-	-	-
Forfeited from December 10, 2013 to December 31, 2013	-	(2,617)	(1,639)	(194,254)	(84,544)	-	-
Outstanding at December 31, 2013	-	5,737,059	7,579,216	9,374,620	2,418,453	-	-
Granted	-	-	-	-	-	10,466,473	-
Acquired	-	(2,393,947)	(1,797)	(2,041,408)	-	-	-
Forfeited	-	(3,343,112)	(13,022)	(364,375)	(126,813)	(96,865)	-
Outstanding at December 31, 2014	-	-	7,564,397	6,968,837	2,291,640	10,369,608	-
Granted	-	-	-	-	-	-	9,807,615
Acquired	-	-	(3,771,623)	(4,598)	(464,977)	-	-
Forfeited	-	-	(3,792,774)	(22,781)	(314,921)	(666,628)	-
Outstanding at December 31, 2015	-	-	-	6,941,458	1,511,742	9,702,980	9,807,615

Fair value of Performance shares granted by Alcatel-Lucent

The fair value of performance shares with service conditions only is measured at granting date as being the Alcatel-Lucent share price discounted by the assumed distribution rate on future income, set at 0.8% per year. The fair value of other performance shares is measured at granting date using some stochastic models.

Based on this assumption, the fair values of Alcatel-Lucent performance shares used in the calculation of compensation expense for share-based payments are as follows:

- March 18, 2009 plan: fair value of €1.19;
- March 17, 2010 plan: fair value of €2.40;
- March 16, 2011 plan: fair value of €3.05;
- March 14, 2012 plan: fair value of €1.41;
- July 12, 2013 plan: fair value of €1.09;
- September 15, 2014 plan: fair value of €1.82; and
- July 29, 2015 plan: fair value of €2.61€.

c/ Treasury stock

Alcatel-Lucent established a buy-back program for the ordinary shares, which was renewed at the shareholders' annual general meeting held on May 7, 2013, for the purpose of allocating those shares to employees of the Group under the terms provided by law, of honoring obligations arising from the issuance of securities conferring a right to the capital of the company or for use in an exchange or as payment for acquisitions. The purchases are limited to a maximum of 10% of the capital stock, and the authorization expires 18 months from the most recent shareholders'

general meeting at which authorization was given. As part of this program, no shares were purchased through December 31, 2015 (no shares were purchased in 2014 or 2013).

The carrying value of Alcatel-Lucent shares owned by Group consolidated subsidiaries was €1,084 million at December 31, 2015 (€1,084 million at December 31, 2014 and €1,428 million at December 31, 2013). They are deducted at cost from equity.

NOTE 23 PENSIONS, RETIREMENT INDEMNITIES AND OTHER POST-RETIREMENT BENEFITS

In accordance with the laws and customs of each country, the Group provides to its employees a significant number of pension plans, group life plans and reimbursement of medical expenses. Features of the plans also depend upon local legislation, the business and the historical practice of the subsidiary concerned.

State plans

In certain countries, and more particularly in Western Europe, the Group participates in mandatory social security plans organized at state or industry level, for which contributions expensed correspond to the contributions due to such state or equivalent organizations. Such plans are considered to be defined contribution plans. However, in certain countries, the element of social security contributions paid that relates to pension plans is not clearly identifiable.

Other defined contribution plans

The benefits paid out depend solely on the amount of contributions paid into the plan and the investment returns arising from the contributions. The Group's obligation is limited to the amount of contributions that are expensed.

Contributions made to defined contribution plans (excluding mandatory social security plans organized at state or industry level) were €55 million for 2015 (€58 million for 2014 and €103 million for 2013).

Defined benefit plans

The pension and other post-employment benefits for the countries described below represent 99% of our benefit obligation at December 31, 2015.

79% of our total defined benefit obligation relates to retirees. Therefore, our plans are very mature and sensitive to mortality risk and discount rate changes. If life expectancy increased by one year, the benefit obligation at December 31, 2015 would increase from €(27,370) million to €(28,414) million. Also, a 50 basis point increase or decrease in the discount rate would decrease or increase the benefit obligation at December 31, 2015 by €1,311 million and €1,440 million, respectively.

Pensions and retirement obligations are determined in accordance with the accounting policies presented in Note 1j.

United States of America

For U.S. employees of the former Lucent group, Alcatel-Lucent maintains defined benefit pension plans covering employees and retirees, as well as other post-retirement benefit plans for U.S. retirees that include health care, dental benefits and group life insurance coverage. These pension plans feature traditional service-based programs, as well as a cash balance program. The legacy Lucent cash balance program was added to the defined benefit pension plan for U.S. management employees hired after December 31, 1998; however, no employees were transitioned from the traditional program to the cash balance program. Additionally, participants in the legacy Lucent cash balance program are not eligible to receive company-paid post-retirement health and group life insurance coverage. U.S. management employees with less than 15 years of service as of June 30, 2001 are not eligible to receive company-paid post-retirement group life insurance and health care benefits. Starting January 1, 2008, the defined benefit pension plan for U.S. management employees no longer accepted new entrants. On October 21, 2009, Alcatel-Lucent USA Inc. froze both the defined benefit pension plan for U.S. management employees and the U.S. supplemental pension plan effective January 1, 2010. For participants in this plan who continued to work for the Group, no additional benefits accrued based on years of service or compensation earned after December 31, 2009. Starting January 1, 2014, the Group adopted a new cash balance program for U.S. management employees.

Germany

With a few exceptions, all traditional plans (final salary-based plans and career average salary-based plans) were frozen at December 31, 2012 and replaced by a cash balance program in which contributions are 0.75% of the pay that is eligible to be included in the pension calculation below the security contribution ceiling and 3.0% for such pay above the security contribution ceiling. Benefits are paid as a lump sum upon retirement in an amount equal to accrued pensions which are collected in a separate account plus guaranteed interest.

The Netherlands

Starting December 31, 2011, the career average salary-based plan was frozen and replaced by a cash balance program in which contributions are paid to an insurance company and pensions are indexed to inflation. Starting

2014, this plan was converted into a defined contribution plan. This plan is no longer reserved and the annual contribution is recognized in the consolidated income statements.

Belgium

Active employees benefit from a final salary-based pension plan in which the benefits are paid as a lump sum amount upon retirement.

France

In addition to the mandatory retirement indemnity plan, we provide a private pension plan (AUXAD plan) to all corporate executives of Group companies incorporated in France. This pension scheme supplements the benefits under the French AGIRC (General Association of Pensions Institutions for Managerial Staff) plan for the portion of income that exceeds eight times the annual French social security pension limit, beyond which there is no legal or contractual pension scheme. The system and the method of calculation of the AUXAD plan are similar to those of the AGIRC plan. The AUXAD plan does not require the beneficiary to be employed by the Company at the time of retirement.

United Kingdom

There are two defined benefit pension plans that we offer in the United Kingdom: the Alcatel Pension Plan and the Lucent Technologies Retirement Benefits Plan. Both plans were closed to new entrants in 2002 and 2001 respectively but active employees still accrue benefits. These plans are both final salary-based programs.

a/ Actuarial assumptions

To determine actuarial valuations, actuaries have determined general assumptions on a country-by-country basis and specific assumptions (rate of employee turnover, salary increases) company by company. The assumptions for 2015, 2014 and 2013 are as follows (the rates indicated are weighted average rates):

	2015	2014	2012
Discount rate	3.56%	3.31%	4.07%
Future salary increases	2.49%	2.56%	3.36%
Post-retirement cost trend rate	6.00% to 4.90%	6.60% to 4.90%	5.90% to 4.90%

The above rates are broken down by geographical segment as follows for 2015, 2014 and 2013:

	2015		2014		2013	
	Discount rate	Future salary increases	Discount rate	Future salary increases	Discount rate	Future salary increases
France	2.00%	2.00%	1.75%	1.99%	3.25%	2.00%
Belgium	2.00%	3.00%	1.75%	3.00%	3.25%	3.25%
United Kingdom	3.75%	4.50%	3.42%	4.27%	4.50%	4.56%
Germany	2.00%	3.00%	1.75%	3.00%	3.25%	3.00%
Rest of Europe	1.57%	0.43%	1.48%	0.35%	2.94%	2.45%
United States of America	3.78%	2.11%	3.49%	2.12%	4.53%	2.67%
Other	4.04%	3.72%	4.35%	3.92%	5.63%	4.22%

The discount rates are obtained by reference to market yields on high quality bonds (government and prime-rated corporations - AA or AAA) in each country having maturity dates equivalent to those of the plans.

For the Euro zone and United Kingdom, the discount rates used are the Bloomberg Corporate AA yields and, for the U.S., the "original" CitiGroup pension discount yield curve was used. These references comply with IAS 19 requirements and have been used consistently by us until December 31, 2012. As Bloomberg stopped publishing these yields starting 2013, discount rates for the Euro zone and United Kingdom are now determined based on Iboxx AA Corporate yields.

b/ Components of net periodic cost of post-employment benefit

<i>(In millions of euros)</i>	2015	2014	2013
Service cost and prior service cost	(112)	(100)	(68)
Interest cost on the benefit obligation	(1,067)	(1,026)	(927)
Interest income on plan assets net of administrative expense	989	1,037	886
Interest cost on unrecognized surplus	(43)	(55)	(43)
Effect of curtailments and settlements	(69)	(44)	(19)
Plan amendments	396	112	133
Net periodic benefit (cost)	94	(76)	(38)
<i>Of which:</i>			
• <i>Recognized in Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments</i>	(112)	(99)	(68)
• <i>Recognized in restructuring costs</i>	(69)	(44)	(19)
• <i>Post-retirement benefit plan amendments</i>	396	112	133
• <i>Recognized in other financial income (loss)</i>	(121)	(44)	(84)
• <i>Recognized in income (loss) from discontinued operations</i>	-	(1)	-

c/ Change in the obligation recorded in the statement of financial position

<i>(In millions of euros)</i>	2015	2014	2013
<i>Change in benefit obligation</i>			
Benefit obligation at January 1	(31,570)	(25,398)	(30,104)
Service cost	(112)	(100)	(68)
Interest cost on the benefit obligation	(1,067)	(1,026)	(927)
Plan participants' contributions	(151)	(138)	(150)
Amendments	(23)	112	133
Business combinations	-	-	(8)
Disposals	8	46	7
Curtailments	(12)	(14)	6
Settlements	5,184	43	28
Special termination benefits	(57)	(29)	(24)
Actuarial gains and (losses) due to changes in financial assumptions	896	(2,276)	2,092
Actuarial gains and (losses) due to changes in demographic assumptions	169	(1,905)	(29)
Actuarial gains and (losses) - Other	(172)	(10)	221
Benefits paid from plan assets	2,614	2,304	2,329
Benefits paid from the employer	60	73	86
Medicare Part D Subsidy	(20)	-	(19)
Foreign currency translation and other	(3,118)	(3,252)	1,029
Benefit obligation at December 31	(27,370)	(31,570)	(25,398)
Benefit obligation excluding effect of future salary increases	(27,136)	(31,331)	(25,148)
Effect of future salary increases	(234)	(239)	(250)
Benefit obligation	(27,370)	(31,570)	(25,398)
Pertaining to retirement plans	(24,127)	(28,583)	(22,766)
Pertaining to other post-employment plans	(3,243)	(2,987)	(2,632)

<i>(In millions of euros)</i>	2015	2014	2013
<i>Change in plan assets</i>			
Fair value of plan assets at January 1	30,220	25,944	28,796
Interest income on plan assets net of administrative expense	989	1,037	886
Actuarial gains and (losses)	(982)	2,113	(596)
Employers' contributions	82	118	120
Plan participants' contributions	151	138	150
Amendments	-	-	-
Business combinations	(2)	-	-
Disposals	-	(6)	-
Curtailments	-	-	-
Settlements	(4,765)	(42)	(27)
Benefits paid/Special termination benefits	(2,614)	(2,304)	(2,329)
Foreign currency translation and other	(3,020)	3,222	(1,056)
Fair value of plan assets at December 31	26,099	30,220	25,944

<i>(In millions of euros)</i>	2015	2014	2013
Change in unrecognized surplus (due to application of asset ceiling and IFRIC14)			
Unrecognized surplus at January 1	(1,177)	(1,250)	(1,233)
Interest cost on unrecognized surplus	(43)	(55)	(43)
Change in the unrecognized surplus	1,023	256	(21)
Foreign currency translation	(103)	(128)	47
Unrecognized surplus at December 31	(300)	(1,177)	(1,250)

<i>(In millions of euros)</i>	2015	2014	2013
Present value of defined benefit obligations that are wholly or partly funded	(25,893)	(29,971)	(23,979)
Fair value of plan assets	26,099	30,220	25,944
Funded (unfunded) status of defined benefit obligations that are wholly or partly funded	206	249	1,965
Present value of defined benefit obligations that are wholly unfunded (Unfunded) / funded status	(1,477)	(1,599)	(1,419)
	(1,271)	(1,350)	546
Unrecognized surplus (due to application of asset ceiling and IFRIC14)	(300)	(1,177)	(1,250)
Net amount recognized	(1,571)	(2,527)	(704)
<i>Of which:</i>			
• prepaid pension costs	2,935	2,636	3,150
• pensions, retirement indemnities and other post-retirement benefit obligations	(4,506)	(5,163)	(3,854)

Change in pension and post-retirement net asset (liability) recognized

<i>(In millions of euros)</i>	December 31, 2015			December 31, 2014			December 31, 2013		
	Pension benefits	Post-retirement benefits	Total	Pension benefits	Post-retirement benefits	Total	Pension benefits	Post-retirement benefits	Total
Net asset (liability) recognized at the beginning of the period	(132)	(2,395)	(2,527)	1,392	(2,096)	(704)	95	(2,636)	(2,541)
Operational charge	(111)	(1)	(112)	(97)	(2)	(99)	(66)	(2)	(68)
Financial income	(28)	(93)	(121)	39	(83)	(44)	(3)	(81)	(84)
Curtailment ⁽¹⁾	(65)	(4)	(69)	(41)	(3)	(44)	(18)	(1)	(19)
Pension and healthcare plan amendments ⁽²⁾	395	1	396	7	105	112	78	55	133
Discontinued operations (Genesys business)	-	-	-	(1)	-	(1)	-	-	-
Total recognized in profits (losses)	191	(97)	94	(93)	17	(76)	(9)	(29)	(38)
Actuarial gains and (losses) for the period	(31)	(59)	(90)	(1,870)	(208)	(2,078)	1,417	271	1,688
Asset ceiling limitation and IFRIC14 effect	1,023	-	1,023	256	-	256	(21)	-	(21)
Total recognized in Statement of comprehensive income ⁽³⁾	992	(59)	933	(1,614)	(208)	(1,822)	1,396	271	1,667
Contributions and benefits paid	120	2	122	182	10	192	177	12	189
420 transfer	(180)	180	-	(169)	169	-	(196)	196	-
Change in consolidated companies	6	-	6	40	-	40	7	-	7
Other (reclassifications and exchange rate changes)	96	(295)	(199)	130	(287)	(157)	(78)	90	12
Net asset (liability) recognized at the end of the period	1,073	(2,644)	(1,571)	(132)	(2,395)	(2,527)	1,392	(2,096)	(704)
<i>Of which:</i>									
• Prepaid pension costs	2,935	-	2,935	2,636	-	2,636	3,150	-	3,150
• Pension, retirement indemnities and post-retirement benefits liability	(1,862)	(2,644)	(4,506)	(2,768)	(2,395)	(5,163)	(1,758)	(2,096)	(3,854)

(1) Accounted for in restructuring costs.

(2) Accounted for on a specific line item "Post-retirement benefit plan amendments" in the income statement.

(3) The amounts recognized directly in the Statement of Comprehensive Income indicated in the table above differ from those disclosed in the Statement of Comprehensive Income, due to the amounts related to discontinued operations, which are excluded in the above schedule.

Funding requirements are usually determined for each individual plan, and as a result excess plan assets for overfunded plans cannot be used for underfunded plans. Our main underfunded plans are our U.S. post-retirement benefits and our French and German pension plans. Decisions on funding the benefit obligations are taken based on each country's legal requirements and the tax-deductibility of the contributions made. In France and Germany, the funding of pension obligations relies primarily on defined contribution plans; setting up other funding arrangements is not common practice. Furthermore, in Germany, the benefits accruing to employees are guaranteed in the event of bankruptcy through a system of mutual insurance common to all companies involved in similar plans. See Note 23f below for information on U.S. plans.

The benefit obligation, the fair value of the plan assets and the actuarial gains (losses) generated for the current year and the previous years are as follows:

<i>(In millions of euros)</i>	Benefit obligation	Plan assets	Funded (underfunded) status	Experience adjustments generated on the benefit obligation		Experience adjustments generated on the plan assets	
				Amount	In percentage of the benefit obligation	Amount	In percentage of the plan assets
2013	(25,398)	25,944	546	221	0.87%	(596)	2.30%
2014	(31,570)	30,220	(1,350)	(10)	0.03%	2,113	6.99%
2015	(27,370)	26,099	(1,271)	(172)	0.63%	(982)	3.76%

With respect to the health care plans, a change of one percentage point in the assumed health costs has the following impact:

<i>(In millions of euros)</i>	Increase of 1%	Decrease of 1%
Impact on the current service cost and interest costs	4	(3)
Impact on the benefit obligation	95	(85)

The plan assets of retirement plans are invested as follows:

<i>(In millions of euros)</i>	Level 1	Level 2	Level 3	Total
Asset allocation at December 31, 2015				
Equities (US market)	891	128	-	1,019
Equities (Other markets)	1,138	138	-	1,276
Government and Treasury bonds	4,407	1,466	-	5,873
Corporate bonds	382	10,056	12	10,450
Real estate (properties)	16	-	984	1,000
Real estate (investments)	414	-	-	414
Cash and cash equivalents	443	816	-	1,259
Alternative (Private equity)	-	-	1,716	1,716
Alternative (Absolute return and other)	10	335	1,185	1,530
Insurance company products	55	797	710	1,562
Fair value of plan assets at December 31, 2015	7,756	13,736	4,607	26,099

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly (inputs include quoted prices for similar assets or liabilities in active markets, interest rates and yield curves, credit risk assessments, etc.).

Level 3 - Significant unobservable inputs for assets or liabilities.

<i>(In millions of euros)</i>	Level 1	Level 2	Level 3	Total
Asset allocation at December 31, 2014				
Equities (US market)	910	124	-	1,034
Equities (Other markets)	1,218	156	-	1,374
Government and Treasury bonds	4,373	2,405	-	6,778
Corporate bonds	499	10,710	17	11,226
Real estate (properties)	16	-	911	927
Real estate (investments)	427	-	-	427
Cash and cash equivalents	395	3,515	-	3,910
Alternative (Private equity)	-	-	1,700	1,700
Alternative (Absolute return and other)	31	320	1,007	1,358
Insurance company products	116	1,040	330	1,486
Fair value of plan assets at December 31, 2014	7,985	18,270	3,965	30,220

<i>(In millions of euros)</i>				
Asset allocation at December 31, 2013				
	Level 1	Level 2	Level 3	Total
Equities (US market)	864	135	-	999
Equities (Other markets)	1,259	171	-	1,430
Government and Treasury bonds	4,438	2,759	-	7,197
Corporate bonds	427	9,049	43	9,519
Real estate (properties)	13	-	1,089	1,102
Real estate (investments)	408	-	-	408
Cash and cash equivalents	329	933	-	1,262
Alternative (Private equity)	-	-	1,503	1,503
Alternative (Absolute return and other)	1	268	867	1,136
Insurance company products	141	947	300	1,388
Fair value of plan assets at December 31, 2013	7,880	14,262	3,802	25,944

For historical Alcatel companies, the investment policy relating to plan assets within the Group depends upon local practices. In all cases, the proportion of equity securities cannot exceed 80% of plan assets and no individual equity security may represent more than 5% of total equity securities within the plan. The equity securities held by the plan must be listed on a recognized exchange. The bonds held by the plan must have a minimum "A" rating according to Standard & Poor's or Moody's rating criteria.

The expected contributions and benefits paid directly by the Group to retirees for 2016 are €145 million for the pension and other post-retirement benefit plans.

Expected benefit payments to be made to beneficiaries from defined benefit plans through 2025 are as follows:

<i>(In millions of euros)</i>	Expected benefit payments
Total	
2016	2,127
2017	1,993
2018	1,942
2019	1,903
2020	1,882
2021 - 2025	8,657

d/ Funded status

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013
Benefit obligation	(27,370)	(31,570)	(25,398)
Fair value of plan assets	26,099	30,220	25,944
Funded (underfunded) status	(1,271)	(1,350)	546
Unrecognized prior service cost and surplus (due to application of asset ceiling and IFRIC14)	(300)	(1,177)	(1,250)
Net liability recognized at end of period	(1,571)	(2,527)	(704)

Detail of funded status by country

<i>(In millions of euros)</i>	2015	2014	2013
USA ⁽¹⁾	(1,023)	(990)	823
Belgium	890	866	842
United Kingdom	236	225	137
Germany	(1,050)	(1,124)	(979)
Other	(324)	(327)	(277)
Total (underfunded) funded status	(1,271)	(1,350)	546

(1) See detailed information by plans in Note 23f.

e/ Pension and healthcare plan amendments

On June 26, 2015, Alcatel-Lucent began mailing to about 85,000 retirees, former employees and surviving beneficiaries who are currently receiving monthly pension payments from either the U.S. Management Pension Plan or the U.S. Inactive Occupational Pension Plan information regarding a one-time opportunity to convert their current monthly pension payment to a lump-sum payment. This offer, called the Alcatel-Lucent Retiree Lump-Sum Window Program, formally began on July 20, 2015 and ended on September 25, 2015. The program was entirely voluntary. In all, about 26,000 eligible individuals—about 30%—elected to convert their existing pension benefit to a lump-sum

payment, representing about U.S.\$5.3 billion in total payments. Payments occurred on November 2, 2015 and December 1, 2015, and came entirely from the existing plan assets. Payments constituted a complete settlement of our pension obligations with respect to the individuals electing this offer. Corresponding benefit obligation of the U.S.\$5.3 billion payments is U.S.\$5.7 billion. The U.S.\$449 million gain difference was accounted for in the line item "Post-retirement benefit plan amendments" of the 2015 consolidated income statement.

2014 U.S. formerly represented healthcare plan amendment

Alcatel-Lucent has a collective bargaining agreement with the Communication Workers of America (CWA) and International Brotherhood of Electrical Workers (IBEW) to provide post-retirement medical and dental benefits, for formerly represented retirees until December 31, 2016. On July 31, 2014, Alcatel-Lucent agreed to a three-year extension of post-retirement healthcare benefits until December 31, 2019 in exchange for a reduction in the Group's obligation to pay for retirees, who are subject to annual dollar caps, of U.S.\$40 million for 2017, U.S.\$40 million for 2018 and U.S.\$40 million for 2019. Reductions of U.S.\$107 million in the existing obligation were accounted for in the "Post-retirement benefit plan amendments" line item of the consolidated income statement.

2014 U.S. management healthcare plan amendment

Alcatel-Lucent currently subsidizes retiree healthcare benefits for formerly Management retirees who retired on or after March 1, 1990 and who are under 65 years old. Starting January 1, 2015, Alcatel-Lucent will discontinue this subsidy, resulting in a gain of U.S. \$33 million. This plan amendment was accounted for in the "Post-retirement benefit plan amendments" line item of the 2014 consolidated income statement.

2014 Dutch pension plan amendment

In 2014, Alcatel-Lucent converted the defined benefit pension plan of current active employees into a defined contribution pension plan under which Alcatel-Lucent no longer guarantees any increases in pensions. This plan amendment resulted in a gain of €7 million and was accounted for in the "Post-retirement benefit plan amendments" line item of the 2014 consolidated income statement.

2013 French AUXAD pension plan amendment

AUXAD is a French supplemental pension plan for the portion of income that exceeds eight times the annual French social security pension limit, beyond which there is no legal or contractual pension scheme. Starting January 1, 2013, the plan was amended to be fully aligned with the conditions of the French AGIRC scheme (General Association of Pension Institutions for Managerial Staff). Amendments included changes in the contribution rate, in the pensions for beneficiaries having a certain number of children, in certain technical elements and in the retirement age. During 2013, these changes were accounted for as a €41 million gain in the line item "Post-retirement benefit plan amendments" of the consolidated income statement.

2013 German pension plans amendment

Most of our German active employees have been transferred out of their traditional pension plans into a new cash balance plan whose benefits are lower than in the previous plans. The reductions in the obligation were accounted for as a €35 million gain in the line item "Post-retirement benefit plan amendments" of the consolidated income statement.

2013 U.S. represented healthcare plan amendment

Alcatel-Lucent USA, Inc.'s 2004 U.S. collective bargaining agreement with the Communication Workers of America and the International Brotherhood of Electrical Workers provides for retiree healthcare benefits, among other items, for formerly represented retirees. The collective bargaining agreement will expire on May 24, 2014. On February 15, 2013, Alcatel-Lucent USA, Inc. and its unions agreed to a two-year extension of retiree healthcare benefits until December 31, 2016, although the Group's obligation to pay for retirees, who are subject to annual dollar caps, was reduced by U.S.\$40 million for 2015 and by U.S.\$40 million for 2016. Reductions of U.S.\$73 million in our existing obligation were accounted for in the "Post-retirement benefit plan amendments" line item of the consolidated income statement.

f/ Alcatel-Lucent's U.S. pension and post-retirement obligations (Supplementary information)

All the following tables and information relate only to our U.S. pension and post-retirement plans. All these data are included in the figures presented on a consolidated basis in Notes 23a, b, c and d and are presented below in U.S. dollars.

Key assumptions

Assumptions used to determine:	December 2015	December 2014	December 2013
Benefit obligations - discount rate			
Pension	3.79%	3.49%	4.19%
Post-retirement health care and other	3.44%	3.21%	3.72%
Post-retirement group life	4.02%	3.69%	4.49%
Rate of compensation increase	2.11%	2.12%	2.44%
Net benefit cost or credit - discount rate			
Pension	3.49%	4.19%	3.30%
Post-retirement health care and other	3.21%	3.72%	2.84%
Post-retirement group life	3.69%	4.49%	3.60%
	December 31, 2015	December 31, 2014	December 31, 2013
Assumed health care cost trend rates			
Health care cost trend rate assumed for next year	5.90%	6.50%	5.80%
Health care cost trend rate assumed for next year (excluding post-retirement dental benefits)	6.00%	6.60%	5.90%
Rate that the cost trend rate gradually declines to	4.90%	4.90%	4.90%
Year that the rate reaches the rate it is assumed to remain at	2028	2024	2024

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

(In millions of U.S. dollars)	1 percentage point	
	Increase	Decrease
Effect on total of service and interest cost components	4	(3)
Effect on post-retirement benefit obligation	103	(92)

Discount rates for Alcatel-Lucent's U.S. plans are determined using the values published in the "original" CitiGroup Pension Discount Curve which is based on AA-rated corporate bonds. Each future year's expected benefit payments are discounted by the corresponding value in the CitiGroup Curve, and for those years not presented in the CitiGroup Curve, we use the value of the last year presented for benefit payments expected to occur beyond the final year of the Curve. Then a single discount rate is selected that results in the same interest cost for the next period as the application of the individual rates would have produced. Unique rates are developed for each major plan; some very small plans are grouped for this process. The average durations of Alcatel-Lucent's major U.S. pension obligations and post-retirement health care obligations were 10.06 years and 7.70 years, respectively, as of December 31, 2015 (10.43 years and 7.96 years, respectively, as of December 31, 2014 and 9.30 years and 7.09 years, respectively, as of December 31, 2013).

Until September 30, 2014, we retained the RP-2000 Combined Health Mortality table with Generational Projection based on the U.S. Society of Actuaries Scale AA. On October 27, 2014, the U.S. Society of Actuaries (SOA) issued new mortality tables. Starting December 31, 2014, we changed these assumptions to the RP-2014 White Collar table with MP-2014 mortality improvement scale for Management records and the RP-2014 Blue Collar table with MP-2014 mortality improvement scale for Occupational records. This update had a U.S.\$2.6 billion negative effect on the benefit obligation of our U.S. plans. These effects were recognized in the 2014 Statement of Comprehensive Income.

On October 8, 2015, the U.S. SOA released an updated set of mortality improvement assumptions: scale MP-2015. This new mortality improvement scale reflects two additional years of data that the Social Security Administration has released since the development of the MP-2014 mortality improvement. These two additional years of data show a lower degree of mortality improvement than in previous years. The change to scale MP-2015 reduced the liabilities by U.S.\$218 million of our U.S. plans. These effects were recognized in the 2015 Statement of Comprehensive Income.

Components of net periodic cost of post-employment benefit

(In millions of U.S. dollars)

	Pension benefits			Post-retirement benefits		
	2015	2014	2013	2015	2014	2013
Pension credit/post-retirement benefit (cost)						
Service cost	(77)	(77)	(9)	(1)	(2)	(3)
Interest cost on the benefit obligation	(960)	(1,058)	(949)	(125)	(137)	(125)
Interest income on plan assets	980	1,188	1,018	21	26	18
Interest cost on unrecognized surplus	(36)	(53)	(41)	-	-	-
Subtotal	(92)	-	19	(105)	(113)	(110)
Special termination benefits	(55)	(36)	-	(8)	(3)	-
Curtailments	(17)	(53)	(22)	4	(2)	3
Settlements	465	-	(27)	-	-	(5)
Pension credit/post-retirement benefit (cost)	300	(89)	(30)	-	(118)	(112)
Plan amendments	(26)	-	-	1	140	73
Pension credit/post-retirement benefit (cost)	274	(89)	(30)	(108)	22	(39)

Change in the obligation recorded in the statement of financial position

The following tables summarize changes in the benefit obligation, the plan assets and the funded status of Alcatel-Lucent's U.S. pension and post-retirement benefit plans as well as the components of net periodic benefit costs, including key assumptions. The measurement dates for plan assets and obligations were December 31, 2015, December 31, 2014 and December 31, 2013.

	Pension benefits			Post-retirement benefits		
	2015	2014	2013	2015	2014	2013
Change in benefit obligation						
Benefit obligation at January 1	(29,512)	(26,166)	(29,973)	(3,627)	(3,630)	(4,150)
Service cost	(77)	(77)	(9)	(1)	(2)	(3)
Interest cost on the benefit obligation	(960)	(1,058)	(949)	(125)	(137)	(125)
Plan participants' contributions	-	-	-	(166)	(182)	(192)
Amendments	(26)	-	-	1	140	73
Business combinations	-	-	-	-	-	(9)
Disposals	-	-	-	-	-	-
Curtailments	(17)	(53)	(22)	4	(2)	3
Settlements	5,745	-	-	-	-	-
Special termination benefits	(55)	(36)	(27)	(8)	(3)	(5)
Actuarial gains and (losses) due to changes in financial assumptions	743	(1,910)	2,237	107	(245)	311
Actuarial gains and (losses) due to changes in demographic assumptions	201	(2,505)	(37)	-	(38)	-
Actuarial gains and (losses) - Other	(15)	(154)	169	(148)	1	(9)
Benefits paid from plan assets	2,287	2,415	2,412	455	494	502
Benefits paid from the employer	-	32	33	-	-	-
Medicare Part D subsidy	-	-	-	(22)	(23)	(26)
Foreign currency translations and other	-	-	-	-	-	-
Benefit obligation at December 31	(21,686)	(29,512)	(26,166)	(3,530)	(3,627)	(3,630)

<i>(In millions of U.S. dollars)</i>	Pension benefits			Post-retirement benefits		
	2015	2014	2013	2015	2014	2013
Change in plan assets						
Fair value of plan assets at January 1	31,218	30,192	32,705	719	739	672
Interest income on plan assets net of administrative expense	980	1,188	1,018	21	26	18
Actuarial gains and (losses)	(1,013)	2,476	(861)	(23)	5	58
Employers' contributions	33	2	2	24	36	41
Plan participants' contributions	-	-	-	166	182	192
Amendments	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Settlements	(5,280)	-	-	-	-	-
Benefits paid/Special termination benefits	(2,287)	(2,415)	(2,412)	(455)	(494)	(502)
420 transfer	(200)	(225)	(260)	200	225	260
Other (external transfer and exchange rate changes)	-	-	-	-	-	-
Fair value of plan assets at December 31	23,451	31,218	30,192	652	719	739

<i>(In millions of U.S. dollars)</i>	Pension benefits			Post-retirement benefits		
	2015	2014	2013	2015	2014	2013
Change in unrecognized surplus (due to application of asset ceiling and IFRIC14)						
Unrecognized surplus at January 1	(1,044)	(1,260)	(1,250)	-	-	-
Interest cost on unrecognized surplus	(36)	(53)	(41)	-	-	-
Change in the unrecognized surplus	1,080	269	31	-	-	-
Foreign currency translation	-	-	-	-	-	-
Unrecognized surplus at December 31	-	(1,044)	(1,260)	-	-	-

<i>(In millions of U.S. dollars)</i>	Pension benefits			Post-retirement benefits		
	2015	2014	2013	2015	2014	2013
Change in unrecognized surplus (due to application of asset ceiling and IFRIC14)						
(Unfunded) / funded status	1,765	1,706	4,026	(2,878)	(2,908)	(2,891)
Unrecognized surplus (due to application of asset ceiling and IFRIC14)	-	(1,044)	(1,260)	-	-	-
Net amount recognized	1,765	662	2,766	(2,878)	(2,908)	(2,891)
<i>Of which:</i>						
Prepaid pension costs	2,225	2,146	3,176	-	-	-
Pensions, retirement indemnities and other post-retirement benefit obligations	(460)	(1,484)	(410)	(2,878)	(2,908)	(2,891)

Additional Information

<i>(in millions of U.S. dollars)</i>	Obligations	Assets	Funded Status
December 31, 2015			
Pension Benefits			
U.S. management ⁽¹⁾	(17,246)	17,587	341
U.S. occupational ⁽¹⁾	(4,007)	5,864	1,857
Supplemental	(433)	-	(433)
Total Pension Benefits	(21,686)	23,451	1,765
Post-retirement Benefits			
Non-represented health	(187)	-	(187)
Formerly represented health	(1,681)	300	(1,381)
Non-represented group life	(1,060)	259	(801)
Formerly represented group life	(601)	93	(508)
Other	(1)	-	(1)
Total Post-retirement Benefits	(3,530)	652	(2,878)

(1) On December 1, 2015, we transferred about 20,000 beneficiaries from the U.S. occupational pension plan to the U.S. management pension plan. We transferred about U.S.\$2,864 million in assets and U.S.\$1,773 million in obligations determined in accordance with IFRSs.

<i>(in millions of U.S. dollars)</i>			
December 31, 2014	Obligations	Assets	Funded Status
Pension Benefits			
U.S. management	(21,095)	20,111	(984)
U.S. occupational	(7,952)	11,107	3,155
Supplemental	(465)	-	(465)
Total Pension Benefits	(29,512)	31,218	1,706
Post-retirement Benefits			
Non-represented health	(259)	-	(259)
Formerly represented health	(1,764)	322	(1,442)
Non-represented group life	(979)	301	(678)
Formerly represented group life	(624)	96	(528)
Other	(1)	-	(1)
Total Post-retirement Benefits	(3,627)	719	(2,908)

<i>(in millions of U.S. dollars)</i>			
December 31, 2013	Obligations	Assets	Funded Status
Pension Benefits			
U.S. management ⁽¹⁾	(18,296)	19,287	991
U.S. occupational ⁽¹⁾	(7,475)	10,905	3,430
Supplemental	(395)	-	(395)
Total Pension Benefits	(26,166)	30,192	4,026
Post-retirement Benefits			
Non-represented health	(276)	-	(276)
Formerly represented health	(1,765)	327	(1,438)
Non-represented group life	(987)	321	(666)
Formerly represented group life	(600)	91	(509)
Other	(2)	-	(2)
Total Post-retirement Benefits	(3,630)	739	(2,891)

(1) On December 1, 2013, we transferred about 30,000 beneficiaries from the U.S. occupational pension plan to the U.S. management pension plan. We transferred about U.S.\$1,813 million in assets and U.S.\$1,173 million in obligations determined in accordance with IFRSs.

Plan Assets

The following table summarizes the target asset allocation ranges and our actual allocation of our pension and post-retirement trusts by asset category.

	Pension target allocation range	Percentage of pension plan assets	Post-retirement target allocation	Percentage of post-retirement plan assets
December 31, 2013				
Asset category				
Equity securities	7% - 13%	9%	46%	46%
Fixed income securities	62% - 85%	74%	16%	16%
Real estate	4% - 8%	7%	-	-
Private equity and other	7% - 13%	10%	-	-
Cash	-	-	38%	38%
Total		100%		100%
December 31, 2014				
Asset category				
Equity securities	7% - 13%	8%	46%	46%
Fixed income securities	64% - 84%	67%	15%	15%
Real estate	4% - 8%	5%	-	-
Private equity and other	7% - 13%	10%	-	-
Cash	-	10%	39%	39%
Total		100%		100%
December 31, 2015				
Asset category				
Equity securities	7% - 13%	8%	45%	45%
Fixed income securities	62% - 83%	73%	15%	15%
Real estate	5% - 9%	7%	-	-
Private equity and other	8% - 15%	12%	-	-
Cash	-	-%	40%	40%
Total		100%		100%

The majority of Alcatel-Lucent's U.S. pension plan assets are held in a master pension trust. Alcatel-Lucent's U.S. post-retirement plan assets are held in two separate trusts in addition to the amount set aside in the master pension trust for retiree healthcare. Plan assets are managed by independent investment advisors with the objective of maximizing surplus returns with a prudent level of surplus risk. Alcatel-Lucent periodically completes asset-liability studies to assure that the optimal asset allocation is maintained in order to meet future benefit obligations. The Board of Directors formally approves the target allocation ranges every two to three years upon completion of a study by the external advisors and internal investment management. The overall pension plan asset portfolio reflects a balance of investments split about 27.0/73.0 between equity (which includes alternative investments for this purpose) and fixed income securities. Investment advisors managing plan assets may use derivative financial instruments including futures contracts, forward contracts, options and interest rate swaps to manage market risk.

Pension plan assets included U.S.\$0.0 million of Alcatel-Lucent ordinary shares and U.S.\$8.5 million of Alcatel-Lucent bonds as of December 31, 2015 (U.S.\$0.0 million of Alcatel-Lucent ordinary shares and U.S.\$8.1 million of Alcatel-Lucent bonds as of December 31, 2014 and U.S.\$0.0 million of Alcatel-Lucent ordinary shares and U.S.\$7.8 million of Alcatel-Lucent bonds as of December 31, 2013).

Contributions

Alcatel-Lucent contributes to its pension and post-retirement benefit plans to make benefit payments to plan participants and to pre-fund some benefits by means of trust funds. For Alcatel-Lucent's U.S. pension plans, the funding policy is to contribute amounts to the trusts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as Alcatel-Lucent may determine to be appropriate. Contributions are made to benefit plans for the sole benefit of plan participants.

U.S. pension plan funding methods

Funding requirements for our major U.S. pension plans are determined by applicable statutes, namely the Employee Retirement Income Security Act of 1974 (ERISA), the Internal Revenue Code of 1986 (the "Code"), and regulations issued by the Internal Revenue Service (the "IRS"). The Pension Protection Act of 2006 (the "PPA") increased the funding target for determining required contributions, from 90% to 100% of the funding obligation, in 2% annual increments at each January 1 valuation date beginning in 2008 and ending with a 4% increment on January 1, 2011. The PPA was amended by the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) and provided additional alternative methods for determining the funding obligation and the value of plan assets that included look-back averaging periods of up to twenty-four months. The IRS provides a number of methods to use for measuring plan assets and for determining the discount rate. For measuring plan assets, we can choose between the fair market value at the valuation date or a smoothed fair value of assets (based on any prior period of time up to a maximum of two years, with the valuation date being the last date in the prior period). For determining the discount rate, we can opt for the spot discount rate at the valuation date (in effect the average yield curve of the daily rates for the month preceding the valuation date) or a twenty-four month average of the rates for each time segment (any twenty-four month period as long as the twenty-four month period ends no later than five months before the valuation date). The Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted on July 6, 2012, affects U.S. tax-qualified pension plan funding requirements for plans that use segment interest rates for measuring plan liabilities for regulatory funding purposes. For such plans, commencing in 2012, MAP-21 stabilizes such interest rates by establishing "corridors" around a 25-year average rate. MAP-21 is applicable to the Group's U.S. management and active occupational pension plans, which use segment interest rates for purposes of determining regulatory funding requirements, but not the U.S. inactive occupational pension plan, which, beginning in 2013 (for 2012), uses a full yield curve for such purposes. The Highway and Transportation Funding Act, enacted on August 8, 2014 (HATFA), modified and extended the interest rate "corridors". The Bipartisan Budget Act (BBA), enacted on November 2, 2015, extended the interest rate stabilization for an additional three years. For the U.S. management and active occupational pension plans, MAP-21, modified and extended by HATFA/BBA, increases the interest rates used for funding valuations. According to our assessment of those plans, MAP-21, modified and extended by HATFA/BBA, is expected to result in an increase in the interest rates used for regulatory funding purposes and suggests no required funding contribution through at least 2017. Although MAP-21/HATFA/BBA is currently not applicable to the Group's U.S. inactive occupational pension plan, the Group does not foresee any required funding contribution for that plan, given the level of assets compared to liabilities for regulatory funding purposes.

U.S. Section 420 Transfer

Prior to the PPA, Section 420 of the Code provided for the transfer of pension assets ("Section 420 Transfer") in excess of 125% of a pension plan's funding obligation to be used to fund the healthcare costs of that plan's retired participants. The Code permitted only one transfer in a tax year with transferred amounts being fully used in the year of the transfer. It also required the company to continue providing healthcare benefits to those retirees for a period of five years beginning with the year of the transfer (cost maintenance period), at the highest per-person cost it had experienced during either of the two years immediately preceding the year of the transfer. With some limitations, benefits could be eliminated for up to 20% of the retiree population, or reduced for up to 20% for 100% of the retiree population, during the five-year period. The PPA as amended by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, expanded the types of transfers to

include transfers covering a period of more than one year from assets in excess of 120% of the funding obligation, with the cost maintenance period extended through the end of the fourth year following the transfer period, and the funded status being maintained at a minimum of 120% during each January 1 valuation date in the transfer period. The PPA also provided for collectively bargained transfers, both single year and multi-year, wherein an enforceable labor agreement is substituted for the cost maintenance period. On July 6, 2012, the provisions of Section 420 of the Code were extended to life insurance benefits (in addition to healthcare costs) and extended until December 31, 2021. On July 31, 2015, the provisions of Section 420 of the Code were extended until December 31, 2025.

On December 2, 2015, Alcatel-Lucent made a Section 420 “collectively bargained transfer” of excess pension assets from the U.S. occupational-inactive pension plan in the amount of U.S.\$200 million to fund healthcare benefits for retirees who were represented by the Communications Workers of America and the International Brotherhood of Electrical Workers for the period beginning December 1, 2015 through about November 30, 2016 and group life insurance benefits for the period beginning December 1, 2015 through about December 30, 2016. Alcatel-Lucent expects to make a “collectively bargained transfer” during 2016 from the U.S. occupational-inactive pension plan to fund healthcare and group life insurance benefits for retirees who were represented by the Communications Workers of America and the International Brotherhood of Electrical Workers for the remainder of 2016 through the first nine months of 2017.

Contributions

The following table summarizes expected contributions (net of Medicare Part D subsidies) to its various pension and post-retirement plans through calendar 2025. Alcatel-Lucent did not have to make contributions to its qualified U.S. pension plans during the 2015 calendar year. Although certain data, such as the December 31, 2015 private equity and real estate values and the January 1, 2016 census data, will not be final until the second quarter of 2016, Alcatel-Lucent does not expect to make any contribution through early 2018. Alcatel-Lucent is unable to reliably estimate the expected contributions to its qualified U.S. pension plans (Management & Occupational pension plans) beyond the 2018 calendar year. Actual contributions may differ from expected contributions, due to various factors, including performance of plan assets, interest rates and potential legislative changes. The table below reflects the use of excess pension assets to fund healthcare costs and group life insurance payments for formerly union-represented retirees for the period 2016 to 2021 (Section 420 of the Code was extended in 2015 until December 31, 2025).

<i>(In millions of U.S. dollars)</i>	Pension		Post-retirement	
	Non-qualified pension plans	Formerly union-represented retiree health plans ⁽¹⁾	Non-represented retiree health plans	Other benefit plans ⁽²⁾
2016	30	(21)	14	3
2017	30	(21)	15	3
2018	30	(20)	15	3
2019	29	(19)	16	3
2020	29	(19)	17	3
2021 - 2025	139	(83)	84	203

(1) Estimates take into account that Section 420 transfers are made to finance healthcare costs until December 31, 2025 (current expiration date of Section 420 of the Code). These estimates are net of Medicare Part D subsidies.

(2) Estimates take into account that Section 420 transfers are made to finance group life insurance payments until December 31, 2025 (current expiration date of Section 420 of the Code).

Certain of the actuarial assumptions used to determine if pension plan funding is required differ from those used for accounting purposes in a way that becomes significant in volatile markets. While the basis for developing discount rates in both cases is corporate bond yields, for accounting purposes we use a yield curve developed by CitiGroup as of the close of the last business day of December of the current calendar year, whereas the PPA allows either a daily average yield curve for the month of December or a two-year average yield curve. Also, available fair values of assets as of the close of the last business day of December must be used for accounting purposes, but the PPA provides for “asset smoothing” options that average fair values over periods as long as two years with limited expected returns included in the averaging. Both of these sets of options minimize the impact of sharp changes in asset values and corporate bond yields in volatile markets. A preliminary evaluation of the funded status of the U.S. management pension plan for regulatory funding valuation purposes indicates that this plan is over 100% funded at year-end 2015. In addition, under the PPA target, we would only need to fund this plan if the funded ratio were to decline below 100%.

Regarding healthcare benefits, it is important to note that such benefits for both management and formerly union-represented retirees’ benefits are capped for those who retired after February 28, 1990 (the benefit obligation associated with this retiree group approximated 46% of the total U.S. retiree healthcare obligation as of December 31, 2015); and Medicare is the primary payer (pays first) for those aged 65 and older, who make up almost all of uncapped retirees.

Benefit Payments

The following table summarizes expected benefit payments from Alcatel-Lucent's various U.S. pension and post-retirement plans through calendar 2025. Actual benefit payments may differ from expected benefit payments. These amounts are reflected net of expected plan participant contributions and the annual Medicare Part D subsidy of approximately U.S.\$24 million.

(In millions of U.S. dollars)	Pension			Post-retirement		
	Qualified U.S. management pension plans	Qualified U.S. occupational pension plans	Non-qualified pension plans	Formerly union-represented retiree health plans	Non-represented retiree health plans	Other benefit plans
2016	1,410	400	30	169	14	89
2017	1,329	347	30	158	15	90
2018	1,297	334	30	140	15	91
2019	1,265	321	29	132	16	92
2020	1,231	307	29	162	17	93
2021 - 2025	5,632	1,336	139	656	84	478

NOTE 24 FINANCIAL DEBT

(In millions of euros)	2015	2014	2013
Marketable securities - short term, net	1,626	1,672	2,259
Cash and cash equivalents	4,905	3,878	4,096
Cash, cash equivalents and marketable securities	6,531	5,550	6,355
Convertible bonds and other bonds - long-term portion	(4,394)	(4,696)	(4,711)
Other long-term debt	(238)	(179)	(211)
Current portion of long-term debt and short-term debt	(579)	(402)	(1,240)
<i>of which (Bonds and credit facilities -short-term portion</i>	<i>(190)</i>	<i>-</i>	<i>(964)</i>
<i>of which (current portion of other long-term debt and short-term debt</i>	<i>(389)</i>	<i>(402)</i>	<i>(276)</i>
Financial debt, gross	(5,211)	(5,277)	(6,162)
Derivative interest rate instruments - other current and non-current assets	4	1	11
Derivative interest rate instruments - other current and non-current liabilities	-	-	(21)
Loan to joint venturer - financial asset (loan to co-venturer)	-	-	7
Cash (financial debt), net before FX derivatives	1,325	274	190
Derivative FX instruments on financial debt - other current and non-current assets ⁽¹⁾	158	123	5
Derivative FX instruments on financial debt - other current and non-current liabilities ⁽¹⁾	(20)	(4)	(46)
Net amount paid/(received) in respect of credit support arrangements (CSA) for derivative instruments - other current assets/liabilities	(54)	(67)	-
Cash (financial debt), net - excluding discontinued operations	1,409	326	149
Cash (financial debt), net - assets held for sale	-	-	-
Cash (financial debt), net - including discontinued operations	1,409	326	149

(1) Foreign exchange (FX) derivatives are FX swaps (primarily U.S.\$/€) related to inter-unit loans.

a/ Nominal value at maturity date of bonds and credit facilities

(In millions of euros)

			Carrying amount at December 31, 2015	Equity component and fair value adjustments	Nominal value at maturity date	
					December 31, 2015	December 31, 2014
8.50% Senior Notes ⁽¹⁾	€190 M	January 2016	190	-	190	192
4.625% Senior Notes ⁽²⁾	U.S.\$650 M	July 2017	595	3	598	535
4.25% OCEANE	€417 M	July 2018	372	45	417	629
0.00% OCEANE	€640 M	January 2019	568	72	640	688
0.125% OCEANE	€429 M	January 2020	362	67	429	460
8.875% Senior Notes ⁽²⁾	U.S.\$500 M	January 2020	451	8	459	412
6.75% Senior Notes ^{(2) (3)}	U.S.\$ 700 M	November 2020	636	7	643	824
6.50 % Senior Notes ⁽²⁾	U.S.\$300 M	January 2028	255	19	274	247
6.45 % Senior Notes	U.S.\$1,360 M	March 2029	1,156	94	1,250	1,120
Total bonds			4,585	315	4,900	5,108
ASN Credit Facility ⁽⁴⁾	€86 M	March 2022	80	1	4	-
Total bonds and credit facilities			4,665	316	4,904	5,108

(1) Guaranteed by Alcatel-Lucent USA Inc. and certain subsidiaries of Alcatel-Lucent.

(2) This Senior Note was subject to a tender offer in July 2014 and September 2015, see below.

(3) Guaranteed by Alcatel-Lucent and certain of its subsidiaries.

(4) This facility requires quarterly repayments until March 2022.

Changes in 2015

December 2015 - Conversion of OCEANE

As part of the exchange offer launched by Nokia 117,427,511 OCEANE 2018, 11,891,116 OCEANE 2019 and 7,729,972 OCEANE 2020 were converted for a total amount of €291 million.

September 2015 - Tender offer on Senior Notes due 2020

Pursuant to a tender offer launched in August 2015, Alcatel-Lucent USA Inc. repurchased, on September 4, 2015, an aggregate of \$300 million nominal (€268 million) amount of 6.75% Senior Notes due 2020 for a total cash amount of \$324 million (€289 million) excluding accrued interest. The Notes tendered in the offer were cancelled.

March 2015 - Credit facility agreement

On March 18, 2015, in conjunction with the acquisition of the equity in ALDA Marine owned by our joint venture partner, Alcatel-Lucent Submarine Networks (ASN) entered into a €86 million credit facility agreement with a seven year-maturity that was fully drawn at that date. Three vessels are subject to a mortgage under the credit facility agreement.

Changes in 2014

November / December 2014 - Partial buy-backs of Senior Notes 2016

During the fourth quarter of 2014, a €3 million nominal amount of Senior Notes 2016 was bought back and cancelled for a cash amount of €3 million excluding accrued interest.

August 2014 - Repayment of Senior Secured Credit Facility

The proceeds of the issuance of OCEANE 2019 and 2020 (see below) were used together with available cash to fully repay the outstanding amount of the Senior Secured Facility on August 19, 2014 for a nominal value of U.S.\$1,724 million. The carrying amount of this facility had already been adjusted in accordance with IAS 39 §AG 8 requirements at end of June 2014 in order to take into account this anticipated repayment. Therefore on August 19, 2014, the nominal value of this facility was equal to its carrying value. The change in estimate during the second quarter of 2014 represented an "other financial loss" of €97 million (US\$133 million, see Note 7) and a corresponding increase in the carrying value of the financial debt.

July 2014 - Tender offer on Senior Notes 2016

Pursuant to a tender offer we launched on June 24, 2014, we agreed to purchase, on July 4, 2014, an aggregate of €210 million nominal amount of Senior Notes 2016 for a total cash amount of €235 million. The Notes tendered in the offer were cancelled.

During the second quarter of 2014, a €19 million nominal amount of Senior Notes 2016 was bought back and cancelled for a cash amount of €22 million excluding accrued interest.

June 2014 - Issuance of OCEANE 2019 and 2020 and planned repayment of Senior Secured Credit Facility

On June 10, 2014, Alcatel-Lucent issued convertible/exchangeable bonds (OCEANE) in two tranches:

- tranche 1 due January 30, 2019 for a nominal value of €688 million, and
- tranche 2 due January 30, 2020 for a nominal value of €460 million.

The bonds bear interest at an annual rate of 0.00% and 0.125% respectively, payable semi-annually in arrears on January 30, and July 30, commencing January 30, 2015. At the option of Alcatel-Lucent, the bonds may be subject to early redemption under certain conditions.

The carrying values of the debt components at the date of issuance were €576 million and €364 million respectively. The difference between the nominal value and the carrying value of the debt component at the date of issuance was €208 million and is amortized to finance costs over the term of the bonds.

April 2014 - Repayment of 6.375% Senior Notes

On April 7, 2014, Alcatel-Lucent repaid on the maturity date the remaining €274 million outstanding under its 6.375% Senior Notes.

February 2014 - Senior Secured Credit Facility amendment

On December 20, 2013, Alcatel-Lucent USA Inc. amended its U.S.\$1,750 million Senior Secured Credit Facility, which lowered the credit spread on the facility from 4.75% to 3.50% effective February 18, 2014. As a result, and after taking into account the Libor 1% floor, the applicable interest rate decreased from 5.75% to 4.50%. In accordance with IAS 39, this amendment to the terms of the Senior Secured Credit Facility did not lead to recording an extinguishment of the original facility and recognizing a new one, because the change in interest rate did not constitute a substantial modification of the terms of the original facility.

January 2014 - Repayment of 7.75% Convertible Trust Preferred Securities (Liability to Subsidiary Trust Issuing Preferred Securities)

On January 13, 2014, the outstanding principal amount of U.S.\$931 million on the 7.75% Convertible Trust Preferred Securities due 2017 was repaid in full. As of December 31, 2013, the carrying value of this debt was already equal to its nominal value (see Note 25 of our 2013 audited consolidated financial statements), because we had already anticipated beginning December 12, 2013 that the debt would be redeemed in full.

Changes in 2013

6.75% Senior Notes due November 15, 2020

On November 15 and December 4, 2013, Alcatel-Lucent USA Inc. issued U.S.\$750 million and U.S.\$250 million, respectively, in Senior Notes due November 15, 2020. The Senior Notes bear interest at an annual rate of 6.75%, payable semi-annually in arrears on May 15, and November 15, commencing May 15, 2014. They are guaranteed by Alcatel-Lucent and certain of its subsidiaries.

The proceeds of this issuance were used to repay and retire the following debts:

- the 2.875% Series A convertible debentures:
 - outstanding nominal value repurchased: U.S.\$95 million,
 - cash amount paid by the Company, excluding accrued interest: U.S.\$95 million;
- the 2.875% Series B convertible debentures:
 - outstanding nominal value repurchased: U.S.\$1 million,
 - cash amount paid by the Company, excluding accrued interest: U.S.\$1 million;
- the €298 million Senior Secured Facility entered into on January 30, 2013 (see below):
 - outstanding nominal value repaid: €298 million,
 - cash amount paid by the Company, excluding accrued interest: €298 million.

On December 27, 2013, 14,772,054 OCEANE 2015 having a nominal value of €3.23 each and representing a total nominal value of €48 million were converted into 15,658,262 new Alcatel Lucent ordinary shares. The impact on the equity was €45 million, corresponding to the carrying value of the debt component just before the conversion (no profit or loss impact was accounted for). On December 27, 2013, the entire outstanding nominal value of €11 million after the conversion was repurchased for €11 million in cash (without accrued interest).

A total net loss of €(42) million related to the above repurchases (€(20) million for the Series A convertible bonds, €(21) million for the euro denominated Senior Secured Facility and €(1) million for the OCEANE due 2015) that occurred in the fourth quarter of 2013 was recorded in "other financial income (loss)" (see Note 7).

4.625% Senior Notes due July 1, 2017

On December 12, 2013, Alcatel-Lucent USA Inc. issued U.S.\$650 million in Senior Notes due on July 1, 2017. The Senior Notes bear interest at an annual rate of 4.625%, payable semi-annually in arrears on January 1, and July 1, commencing July 1, 2014. The proceeds of this issuance were applied, together with available cash, to repay in full

as of January 13, 2014 the U.S.\$931 million principal amount outstanding of the 7.75% Convertible Trust Preferred Securities due 2017.

Senior Secured Credit Facility amendment

On December 20, 2013, Alcatel-Lucent USA Inc. signed an amendment relating to its U.S.\$1,750 million Senior Secured Credit Facility, which became effective as of February 2014 and had the effect of lowering the credit spread from 4.75% to 3.50%. As a result, and taking into account the Libor 1% floor, the applicable interest rate decreases from 5.75% to 4.50%.

8.875 % Senior Notes due January 1, 2020

On August 7, 2013, Alcatel-Lucent USA Inc. issued U.S.\$500 million in Senior Notes due on January 1, 2020. The Senior Notes bear interest at an annual rate of 8.875%, payable semi-annually in arrears on January 1, and July 1, commencing January 1, 2014. They are guaranteed by Alcatel Lucent and certain of its subsidiaries. The proceeds of this issuance were used to repay and terminate the U.S.\$500 million Asset Sale Facility entered into on January 30, 2013 (see below), which involved a cash payment of U.S.\$505 million. The outstanding balance of unamortized issuance costs of the Asset Sale Facility were expensed in Other financial income (loss) during the third quarter of 2013, representing a loss of €(24) million (see Note 7).

Senior Secured Credit Facility amendment

On August 16, 2013, Alcatel-Lucent USA Inc. amended the outstanding Senior Secured Credit Facilities entered into on January 30, 2013. The amendments had the effect of changing certain covenants governing the facilities, including lowering the credit spread on the U.S.\$1,750 million Senior Secured Credit Facility due 2019 from 6.25% to 4.75% (total interest rate lowered to 5.75%) and lowering the credit spread on the €300 million Senior Secured Credit Facility due 2019 from 6.50% to 5.25% (total interest rate lowered to 6.25%).

OCEANE 2018

On July 3, 2013, Alcatel-Lucent issued convertible/exchangeable bonds (OCEANE) due July 1, 2018 for a nominal value of €629 million. The bonds bear interest at an annual rate of 4.25%, payable semi-annually in arrears on January 1, and July 1, commencing January 1, 2014. At the option of Alcatel-Lucent, the bonds may be subject to early redemption under certain conditions. The carrying value of the debt component at the date of issuance was €505 million. The difference between the nominal value and the carrying value of the debt component at the date of issuance was €124 million and is amortized in finance costs over the term of the bonds.

The proceeds of this issuance were used to repurchase and cancel €748 million in nominal value of the 5.00% OCEANE due January 2015 (carrying value of €691 million) for a cash payment of €780 million (without accrued interest). The negative impact on the income statement, which was accounted for in Other financial income (loss) during the third quarter of 2013, represented an €(87) million loss (see Note 7).

2.875 % Series B convertible debentures mandatory offer to purchase

At the holder's option, the Alcatel-Lucent USA, Inc. 2.875% Series B convertible debentures were redeemable at 100% of the principal amount plus any accrued and unpaid interest at the first optional redemption date, June 15, 2013.

The outstanding nominal value of the 2.875% Series B convertible debentures was equal to US\$ 765 million just before June 15, 2013. At this date, US\$ 764 million in nominal value of these debentures were redeemed and cancelled for US\$ 764 million in cash, plus accrued interest.

Because of the new accounting treatment applied in the second quarter of 2012 (see Note 2i - to our consolidated financial statements for the year ended December 31, 2013 filed as part of our Annual Report on Form 20-F), the carrying amount of the 2.875% Series B convertible debentures was equal to the nominal value of the debentures as of June 15, 2013. No gain or loss related to the partial redemption, therefore, was recorded.

Buy-backs of debt

On May 21, 2013, the following bonds and notes were partially bought back and cancelled:

- 6.375% Notes due April 2014 issued by Alcatel-Lucent:
 - nominal value repurchased: €172 million,
 - cash amount paid by Alcatel-Lucent, excluding accrued interest: €180 million.

The 6.375% Notes due April 2014 issued by Alcatel-Lucent were the subject of additional repurchases during the second and the third quarters of 2013 for an additional nominal amount of €16 million and a cash amount paid by Alcatel-Lucent, excluding accrued interest, of €17 million. In addition, the interest rate swaps, which were hedging part of the debt repurchased, were cancelled, generating a cash gain of €7 million.

- 5.00% OCEANE 2015 issued by Alcatel-Lucent:
 - nominal value repurchased: €193 million,
 - cash amount paid by Alcatel-Lucent, excluding accrued interest: €196 million.

The consideration paid in connection with an early redemption of a convertible bond is allocated at the date of redemption between the liability and the equity components with an allocation method consistent with the method used initially. The amount of gain or loss relating to the liability component is recognized in "other financial income (loss)" and the amount of consideration relating to the equity component is recognized in equity.

An additional nominal amount of €748 million was repurchased in August 2013 (see above).

- 8.50% due January 2016 Senior Notes issued by Alcatel-Lucent:
 - nominal value repurchased: €75 million,
 - cash amount paid by Alcatel-Lucent, excluding accrued interest: €80 million.

A total net loss of €(26) million related to all the above listed repurchases that occurred in the second quarter of 2013 was recorded in "other financial income (loss)" (see Note 7).

Senior Secured Credit Facilities

On January 30, 2013, Alcatel-Lucent USA Inc., as borrower, Alcatel-Lucent and most of the subsidiaries of the Group as guarantors, entered into senior secured credit facilities that were syndicated in January 2013 and which comprised:

- An asset sale facility with a total nominal value of U.S.\$500 million, with a coupon of the lower of Libor (with a 1.00% floor) plus 525 basis points, and the Alternate Base Rate (ABR) (the greatest of the Crédit Suisse Prime Rate, the Federal Funds Effective Rate plus 0.5% and one month Libor plus 1% after some adjustments) plus 425 basis points (as the borrower may choose at certain intervals), maturing in August 2016;
- A credit facility with a total nominal value of U.S.\$1,750 million, with a coupon of the lower of Libor (with a 1.00% floor) plus 625 basis points, and the ABR plus 525 basis points (as the borrower may choose at certain intervals), maturing in January 2019; with a quarterly amortization of 0.25% of nominal value; and
- A credit facility with a total nominal value of €300 million, with a coupon of Libor (with a 1.00% floor) plus 650 basis points, also maturing in January 2019 and also with a quarterly amortization of 0.25% of nominal value.

These facilities were secured by a first-priority pledge of (i) the equity interests held by Alcatel-Lucent USA Inc., Alcatel-Lucent Holdings Inc. and the other guarantors in most of their subsidiaries, (ii) substantially all patents and other intellectual property rights of Alcatel-Lucent USA Inc., Alcatel-Lucent and the other guarantors, (iii) substantially all intercompany loans due to Alcatel-Lucent USA Inc., Alcatel-Lucent Holdings Inc. and the other guarantors, and (iv) substantially all other tangible and intangible personal property of Alcatel-Lucent USA Inc. and the U.S. guarantors.

The agreement relating to these facilities did not include any financial maintenance covenants (that is, a covenant the calculation of which is usually tested quarterly and that measures, for instance, the capacity of the borrower to repay debt) but included covenants restricting, among other things, the Group's ability to: (i) incur or guarantee additional debt or issue preferred stock, (ii) create certain liens, (iii) sell assets and monetize patents, (iv) pay dividends, buy back equity, or make certain investments, and (v) dispose of, or transfer within the Group, assets constituting the collateral of the secured financing.

In accordance with IAS 39, the floor conditions on the variable interest rate of these facilities were accounted for as embedded derivatives and separated from the host contracts (the credit facilities). The fair values at inception of the three floors were valued at U.S.\$10 million for the asset sale facility of U.S.\$500 million, U.S.\$46 million for the credit facility of U.S.\$1,750 million, and €7 million for the credit facility of €300 million. These fair values were subtracted from the nominal value of the facilities and recorded as interest rate derivatives and included in the Cash (financial debt), net as disclosed above. The change in these fair values representing a gain of €26 million for the year ended December 31, 2013 was recorded in "other financial income (loss)".

In addition, fees related to the issuance of these credit facilities were also subtracted from the nominal value, giving the following carrying values of the facilities: U.S.\$470 million for the asset sale facility of U.S.\$500 million, U.S.\$1,633 million for the credit facility of U.S.\$1,750 million and €283 million for the credit facility of €300 million. The net cash proceeds were reported in the cash flow statement for the year ended December 31, 2013 on the line item "issuance of long-term debt" for an aggregate amount of €1,917 million. The difference between the nominal value and the carrying value of the facilities is amortized to finance costs over the term of the debt.

b/ Analysis of financial debt, gross - by type

<i>(In millions of euros)</i>	2015	2014	2013
Convertible bonds	1,302	1,498	1,191
Other bonds	3,283	3,198	4,485
Receivables transferred that are not derecognized in their entirety ⁽¹⁾	230	233	248
Bank loans, overdrafts and other financial debt	279	239	119
Finance lease obligations	28	18	24
Accrued interest	89	91	95
Financial debt, gross	5,211	5,277	6,162

(1) See Note 20 "Financial Assets Transferred".

c/ Analysis by maturity date and type of rate

<i>(In millions of euros)</i>	2015	2014	2013
Current portion of long-term debt	190	-	1,054
Short-term debt ⁽¹⁾	389	402	186
Financial debt due within one year⁽³⁾	579	402	1,240
<i>Of which:</i>			
• <i>within 3 months</i>	463	274	791
• <i>between 3 and 6 months</i>	92	104	406
• <i>between 6 and 9 months</i>	12	12	22
• <i>over 9 months</i>	12	11	21
2015	-	-	114
2016	-	280	515
2017	675	604	494
2018	435	539	401
2019	588	588	1,154
2020	1 450	1,589	1,068
2021 and thereafter	1 484	1,275	1,176
Financial debt due after one year⁽²⁾⁽³⁾	4 632	4,875	4,922
Total	5 211	5,277	6,162

(1) Amount as of December 31, 2015 included €89 million of accrued interest (€91 million as of December 31, 2014 and €95 million as of December 31, 2013).

(2) The convertible securities may be retired earlier based on early redemption or buy-back options. In case of optional redemption periods/dates occurring before the contractual maturity of the debenture, the likelihood of the redemption before the contractual maturity could lead to a change in the estimated payments. As prescribed by IAS 39, if an entity revises the estimates of payment, due to reliable new estimates, it shall adjust the carrying amount of the instrument by computing the present value of remaining cash flows at the original effective interest rate of the financial liability to reflect the revised estimated cash flows. The adjustment is recognized as income or expense in profit or loss.

(3) Contractual cash flows of financial debt are disclosed in Note 28.

d/ Debt analysis by rate

<i>(In millions of euros)</i>	Amounts	Effective interest rate	Interest rate after hedging
2013			
Convertible bonds	1,191	9.50%	9.50%
Other bonds	4,485	7.50%	7.28%
Bank loans, overdrafts and finance lease obligations	391	2.66%	2.66%
Accrued interest	95	NA	NA
Financial debt, gross	6,162	7.58%	7.42%
2014			
Convertible bonds	1,498	5.83%	5.83%
Other bonds	3,198	7.27%	7.27%
Bank loans, overdrafts and finance lease obligations	490	2.02%	2.02%
Accrued interest	91	NA	NA
Financial debt, gross	5,277	6.36%	6.36%
2015			
Convertible bonds	1,302	5.46%	5.46%
Other bonds	3,283	7.27%	7.27%
Bank loans, overdrafts and finance lease obligations	537	2.01%	2.01%
Accrued interest	89	NA	NA
Financial debt, gross	5,211	6.26%	6.26%

e/ Debt analysis by type of rate

(In millions of euros)	2015		2014		2013	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Total fixed rate debt	5,207	5,207	5,269	5,269	6,154	5,880
Total floating rate debt	4	4	8	8	8	282
Total	5,211	5,211	5,277	5,277	6,162	6,162

f/ Debt analysis by currency

(In millions of euros)	2015		2014		2013	
	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Euro	1,827	2,286	1,976	2,388	1,544	1,544
U.S. Dollar	3,242	2,783	3,150	2,738	4,608	4,608
Other	142	142	151	151	10	10
Total	5,211	5,211	5,277	5,277	6,162	6,162

g/ Fair value of debt

The fair value of the Group's debt is determined for each loan by discounting the future cash flows using a discount rate corresponding to bond yields, adjusted by the Group's credit rate risk. The fair value of debt and bank overdrafts at floating interest rates approximates the net carrying amounts. The fair value of the financial instruments that hedge the debt is calculated in accordance with the same method, based on the net present value of the future cash flows:

- at December 31, 2015, the fair value of debt before hedging (including credit spread) was €6,405 million and the fair value of the debt after hedging (including credit spread) was €6,401 million;
- at December 31, 2014, the fair value of debt before hedging (including credit spread) was €6,299 million and the fair value of the debt after hedging (including credit spread) was €6,297 million;
- at December 31, 2013, the fair value of debt before hedging (including credit spread) was €7,221 million and the fair value of the debt after hedging (including credit spread) was €7,231 million; and

h/ Credit rating

Credit ratings of Alcatel-Lucent and Alcatel-Lucent USA Inc.

At December 31, 2015, the credit ratings of Alcatel-Lucent and Alcatel-Lucent USA Inc. were as follows:

Rating Agency	Corporate Family rating	Long-term debt	Short-term debt	Outlook	Last update of CFR/Debt rating	Last update of the outlook
Moody's:						
Alcatel-Lucent S.A.	B2	B2/B3 ⁽¹⁾	Not Prime	Review for upgrade	August 28, 2015	April 20, 2015
Alcatel-Lucent USA Inc.	n.a.	B2 ⁽²⁾	n.a.	Review for upgrade	August 28, 2015	April 20, 2015
Standard & Poor's:						
Alcatel-Lucent S.A.	B+	B+	B	Cr. Watch Positive	August 5, 2015	April 17, 2015
Alcatel-Lucent USA Inc.	B+	B+	n.a.	Cr. Watch Positive	August 5, 2015	April 17, 2015

(1) The OCEANE 2018 as well as the OCEANE 2019 and 2020 are rated B3; all other long-term debt issued by Alcatel-Lucent is rated B2.

(2) The 8.875% Senior Notes, the 6.75% Senior Notes and the 4.625% Senior Notes are each rated B2. Ratings were withdrawn on January 20, 2012 for the Alcatel-Lucent USA Inc. 6.50% Notes due 2028 and 6.45% Notes due 2029.

Moody's: On August 28, 2015, Moody's upgraded Alcatel-Lucent's Corporate Family Rating to B2 from B3, the convertible notes ratings to B3 from Caa1, and the senior unsecured ratings to B2 from B3. All ratings remain on review for upgrade.

On April 20, 2015, Moody's placed on review for upgrade all Alcatel-Lucent's Ratings.

On November 17, 2014, Moody's changed the outlook on Alcatel-Lucent and Alcatel-Lucent USA Inc to positive from stable, and affirmed the B3 ratings.

On December 19, 2013, Moody's upgraded the rating of the 8.50% Senior Notes due 2016 issued by Alcatel-Lucent from Caa1 to B3.

On November 7, 2013, Moody's changed the outlook on Alcatel-Lucent's Corporate Family B3 rating from Negative to Stable, and affirmed the existing ratings of the Group's debt.

On August 23, 2013, Moody's assigned a definitive B3 rating to the 8.875% Senior Notes due 2020 issued by Alcatel-Lucent USA Inc. and affirmed Alcatel-Lucent's B3 Corporate Family Rating.

On June 26, 2013, Moody's assigned a provisional Caa1 rating to the OCEANE due 2018 issued by Alcatel-Lucent and converted the provisional B1 rating of the Senior Secured Credit Facilities into a definitive B1 rating.

The rating grid of Moody's ranges from Aaa, which is the highest rated class, to C, which is the lowest rated class. Alcatel-Lucent's Corporate Family rating, the Alcatel-Lucent long-term debt (except the OCEANE 2018, 2019 and 2020), and the Alcatel-Lucent USA Inc. rated long-term debt, are rated B3, in the B category, which also includes B1 and B2 ratings.

Moody's gives the following definition of its B category: "obligations rated B are considered speculative and are subject to high credit risk".

Alcatel Lucent's OCEANE 2018, 2019 and 2020 are rated Caa1, in the Caa category, which Moody's characterizes as follows: "obligations rated Caa are judged to be speculative, of poor standing and are subject to very high risk".

Standard & Poor's: On August 5, 2015, Standard and Poor's raised its long-term corporate credit ratings on Alcatel-Lucent and Alcatel-Lucent USA Inc. to B+ from B, as well as the debt issued by Alcatel-Lucent and Alcatel-Lucent USA. All ratings remain on CreditWatch with positive implications.

On April 17, 2015, Standard & Poor's placed Alcatel-Lucent ratings on CreditWatch with positive implications.

On August 18, 2014, Standard & Poor's raised its corporate credit ratings on Alcatel-Lucent and Alcatel-Lucent USA Inc. from B- to B. The unsecured bonds issued by the Group were also upgraded, from CCC+ to B. At the same date, and as a consequence of the rating upgrade, the outlook was change from Positive to Stable.

On November 7, 2013, Standard & Poor's revised its outlook on Alcatel-Lucent and on Alcatel-Lucent USA Inc. from Stable to Positive, and affirmed its B- Corporate Credit rating on both companies. On November 7, 2013, Standard & Poor's also affirmed the B short-term rating on Alcatel-Lucent.

On September 3, 2013, Standard & Poor's raised to CCC+ from CCC the ratings of the senior unsecured notes issued by Alcatel-Lucent and by Alcatel-Lucent USA Inc.

On June 26, 2013, Standard & Poor's assigned the credit rating CCC to the OCEANE 2018 issued by Alcatel-Lucent on that date.

On June 21, 2013, Standard & Poor's lowered the long-term corporate credit ratings of Alcatel-Lucent and Alcatel-Lucent USA Inc from B to B- with a stable outlook. Standard & Poor's affirmed the B short-term ranking of Alcatel-Lucent, and lowered the rating on the Senior Secured Credit Facilities from BB- to B+, as well as the rating of the Group long-term unsecured debt from CCC+ to CCC. The rating of the trust preferred securities issued by Lucent Technologies Capital Trust I was lowered from CCC to CCC-.

On February 18, 2013, Standard & Poor's affirmed its B long-term credit ratings of Alcatel-Lucent and Alcatel-Lucent USA Inc. and removed them from Credit Watch with Negative implications. The outlook was negative. At the same time, the BB- issue rating on the Senior Secured Credit Facilities was affirmed. The other ratings were also affirmed.

The rating grid of Standard & Poor's ranges from AAA (the strongest rating) to D (the weakest rating).

Alcatel-Lucent's and Alcatel-Lucent USA Inc's Corporate Family Rating, as well as their long term debt are rated B, which is in the B category.

Standard & Poor's gives the following definition to the B category: "An obligation rated "B" is more vulnerable to non-payment than obligations rated "BB" but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation."

Rating clauses affecting Alcatel-Lucent and Alcatel-Lucent USA Inc. debt at December 31, 2015

Given its current short-term ratings and the lack of liquidity of the French commercial paper/"billets de trésorerie" market, Alcatel-Lucent has decided not to participate in this market for the time being.

Alcatel-Lucent and Alcatel-Lucent USA Inc.'s outstanding bonds do not contain clauses that could trigger an accelerated repayment in the event of a lowering of their respective credit ratings.

i/ Bank credit agreements

Alcatel-Lucent syndicated bank credit facility

On December 17, 2013, Alcatel-Lucent closed a €504 million three-year revolving credit facility with a syndicate of 12 international banks. The availability of this instrument is not dependent upon Alcatel-Lucent's Credit Ratings. The availability of this facility is dependent upon Alcatel-Lucent meeting a financial covenant linked to its capacity to cover its interest charges. As of December 31, 2015, the credit facility was undrawn.

A syndicated bank facility signed on April 5, 2007 was terminated following the closing of the Senior Secured Facilities in January 2013.

NOTE 25 PROVISIONS

a/ Balance at closing

<i>(In millions of euros)</i>	2015	2014	2013
Provisions for product sales	376	387	402
Provisions for restructuring	291	439	433
Provisions for litigation	95	122	122
Other provisions	366	416	459
Total ⁽¹⁾	1,128	1,364	1,416
<i>(1) Of which: portion expected to be used within one year</i>	<i>897</i>	<i>959</i>	<i>966</i>
<i>portion expected to be used after one year</i>	<i>231</i>	<i>405</i>	<i>450</i>

b/ Change during 2015

<i>(In millions of euros)</i>	December 31, 2014	Appropriation	Utilization	Reversals	Change in consolidated companies	Other	December 31, 2015
Provisions for product sales	387	393	(361)	(41)	-	(2)	376
Provisions for restructuring	439	170	(298)	(31)	1	10	291
Provisions for litigation	122	36	(30)	(18)	-	(15)	95
Other provisions	416	206	(212)	(63)	-	19	366
Total	1,364	805	(901)	(153)	1	12	1,128
Effect on the income statement:							
- Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post - retirement benefit plan amendments		(602)		106			(496)
- Restructuring costs		(164)		25			(139)
- Litigations		(23)		3			(20)
- Gain (loss) on disposal of consolidated entities		-		-			-
- Post-retirement benefit plan amendments		-		-			-
- Other financial income (loss)		(10)		6			(4)
- Income taxes		(5)		13			8
- Income (loss) from discontinued operations		(1)		-			(1)
Total		(805)		153			(652)

At year-end, contingent liabilities exist with regards to ongoing tax disputes and outstanding litigations. For certain of these disputes, neither the financial impact nor the timing of any cash payment that could result from an unfavorable outcome can be estimated at present and therefore nothing was reserved for those disputes as of December 31, 2015.

In particular, we received a tax audit report during the third quarter of 2012 confirming the German tax authority's position with regard to the tax impact of the contribution to Thales of our former railway signalling business in 2006. This tax audit report could represent a potential negative impact of €140 million before interest and penalties. Nothing was reserved, as our position is that it is more likely than not that we will not have to pay these taxes. If we were to reserve anything in the future in relation to this tax litigation, it would be classified in discontinued operations, since the business was sold in 2006. In accordance with applicable law, we have declined to make the payment, although interest continues to accrue on the obligation, and therefore our cash flow statements were not impacted.

c/ Analysis of restructuring provisions

<i>(In millions of euros)</i>	December 31, 2015	December 31, 2014	December 31, 2013 ⁽¹⁾
Opening balance	439	433	456
Utilization during period (restructuring cash outlays)	(298)	(364)	(522)
Restructuring costs (social costs and other monetary costs)	139	373	473
Reversal of discounting impact (financial loss)	1	1	1
Effect of acquisition (disposal) of consolidated subsidiaries	-	(16)	-
Cumulative translation adjustments and other changes	10	12	25
Closing balance	291	439	433

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

d/ Restructuring costs

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Social costs - Restructuring reserves	(121)	(245)	(302)
Other monetary costs - Restructuring reserves	(18)	(128)	(171)
Other monetary costs - Payables	(172)	(156)	(25)
Other monetary costs - Pension reserve	(69)	(32)	(19)
Valuation allowances or write-offs of assets and other	(21)	(13)	(1)
Total restructuring costs	(401)	(574)	(518)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

e/ Analysis of litigation provisions

<i>(In millions of euros)</i>	December 31, 2014	Appropriation	Utilization	Reversals	Change in consolidated companies	Other	December 31, 2015
Passaic River litigation	-	9	-	-	-	-	9
Fox River litigation	7	-	(3)	(3)	-	1	2
Other	-	14	(1)	-	-	-	13
Sub-total - material litigations ⁽¹⁾	7	23	(4)	(3)	-	1	24
Other provisions	115	13	(26)	(15)	-	(16)	71
Total	122	36	(30)	(18)	-	(15)	95

(1) The Fox River litigation is disclosed in Note 33 of our 2012 audited consolidated financial statements (under the heading "Lucent's separation agreements").

NOTE 26 MARKET-RELATED EXPOSURES

The Group has a centralized treasury management in order to minimize the Group's exposure to market risks, including interest rate risk, foreign exchange risk, and counterparty risk. The Group uses derivative financial instruments to manage and reduce its exposure to fluctuations in interest rates and foreign exchange rates.

The Group's debt is issued in euros and in U.S. dollars. Interest-rate derivatives are used primarily to convert fixed rate debt into floating rate debt.

Estimated future cash flows (for example, firm commercial contracts or commercial bids) are hedged by forward foreign exchange transactions.

a/ Interest rate risk

Derivative financial instruments held at December 31, 2015 are intended to reduce the cost of debt and to hedge interest rate risk. At December 31, 2015, 2014 and 2013, outstanding interest-rate derivatives have the following characteristics:

i. Outstanding interest-rate derivatives at December 31

Analysis by type and maturity date

<i>(In millions of euros)</i>	2015					2014		2013	
	Contract notional amounts Maturity date			Total	Market value	Total	Market value	Total	Market value
	Less than one year	1 to 5 years	After 5 years						
<i>Interest-rate swaps</i>									
Pay fixed rate	-	459	4	463	-	416	-	9	-
Pay floating rate	-	462	-	462	(7)	416	(6)	272	11
<i>Floors</i>									
Buy	-	-	-	-	-	-	-	-	-
Sell	-	-	-	-	-	-	-	1,256	(21)
<i>Options on interest-rate swaps U.S.\$ Libor</i>									
Buy	-	-	-	-	-	-	-	-	-
Sell	-	-	-	-	-	-	-	-	-
Total market value					(7)		(6)		(10)

Analysis by accounting category

<i>(In millions of euros)</i>	Market value		
	2015	2014	2013
Fair value hedges	(7)	2	11
Cash flow hedges	-	-	-
Instruments not qualifying for hedge accounting	-	(8)	(21)
Total	(7)	(6)	(10)

Analysis by market value and maturity date

<i>(In millions of euros)</i>	Maturity date			Total
	Less than 1 year	1 to 5 years	After 5 years	
<i>Market Value of derivatives as assets</i>				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Instruments not qualifying for hedge accounting	-	-	-	-
Total	-	-	-	-

<i>(In millions of euros)</i>	Maturity date			Total
	Less than 1 year	1 to 5 years	After 5 years	
<i>Market Value of derivatives as liabilities</i>				
Fair value hedges	-	(7)	-	(7)
Cash flow hedges	-	-	-	-
Instruments not qualifying for hedge accounting	-	-	-	-
Total	-	(7)	-	(7)

ii. Interest rate sensitivity

Interest rate sensitivity in terms of financial cost

An immediate increase in interest rates of 1%, applied to financial liabilities of which the impact is accounted for in the income statement after taking into account the hedging instruments, would not have a significant impact on interest expense for 2015 (no impact for 2014 and for 2013).

An immediate increase in interest rates of 1%, applied to financial assets of which the impact is accounted for in the income statement after taking into account the hedging instruments, would decrease interest expense by €62 million for 2015 (€52 million for 2014 and €59 million for 2013).

Financial assets are mainly short-term, and we assume that they are reinvested in assets of the same nature.

Interest rate sensitivity in terms of mark-to-market

An increase of 1% of the interest rate curve, applied to marketable securities of which the impact is accounted for in equity after taking into account the hedging instruments, would increase equity by €5 million in 2015 (increase by €4 million in 2014 and decrease by €2 million in 2013).

An increase of 1% of the interest rate curve, applied to marketable securities of which the impact is accounted for in the income statement after taking into account the hedging instruments, would have a negative impact of €1 million in 2015 (€2 million in 2014 and €4 million in 2013).

An increase of 1% of the interest rate curve, applied to interest-rate derivatives qualified as a fair value hedge, would have a positive impact of €115 million in 2015 (a positive impact of €13 million in 2014 and a negative impact of €1 million in 2013).

(In millions of euros)	2015				2014				2013			
	Booked value	Fair value	Fair value change if rates fall by 1% ⁽¹⁾	Fair value change if rates rise by 1%	Booked value	Fair value	Fair value change if rates fall by 1% ⁽¹⁾	Fair value change if rates rise by 1%	Booked value	Fair value	Fair value change if rates fall by 1% ⁽¹⁾	Fair value change if rates rise by 1%
Assets												
Marketable securities	1,626	1,626	(4)	4	1,672	1,672	(2)	2	2,259	2,259	6	(6)
Cash & cash equivalents ⁽²⁾	4,905	4,905	-	-	3,878	3,878	-	-	4,096	4,096	-	-
Subtotal	6,531	6,531	(4)	4	5,550	5,550	(2)	2	6,355	6,355	6	(6)
Liabilities												
Convertible bonds	(1,302)	(2,270)	(32)	31	(1,498)	(2,346)	(55)	53	(1,191)	(1,988)	(21)	20
Non convertible bonds	(3,283)	(3,509)	(218)	196	(3,198)	(3,372)	(229)	205	(4,485)	(4,745)	(269)	244
Other financial debt	(626)	(625)	-	-	(581)	(581)	-	-	(486)	(486)	-	-
Subtotal	(5,211)	(6,404)	(250)	227	(5,277)	(6,299)	(284)	258	(6,162)	(7,219)	(290)	264
Derivative interest rate instruments - other current and non-current assets	4	4	93	115	1	1	37	13	11	11	-	(1)
Derivative interest rate instruments - other current and non-current liabilities	-	-	-	-	-	-	-	-	(21)	(21)	(3)	17
Loan to co-venturer-financial asset	-	-	-	-	-	-	-	-	7	7	-	-
(Debt)/cash position before FX derivatives	1,325	131	(161)	346	274	(748)	(249)	273	190	(867)	(287)	274
Derivative FX instruments on financial debt - other current and non-current assets	158	158	-	-	123	123	-	-	5	5	-	-
Derivative FX instruments on financial debt - other current and non-current liabilities	(74)	(74)	-	-	(71)	(71)	-	-	(46)	(46)	-	-
(Debt)/cash position	1,409	217	(161)	346	326	(696)	(249)	273	149	(908)	(287)	274

(1) If the interest rate is negative after the decrease of 1%, the sensitivity is calculated with an interest rate equal to 0%.

(2) For cash & cash equivalents, the carrying value is considered as a good estimate of the fair value.

An increase of 1% of the interest rate curve, applied to the hedged debt qualified as a fair value hedge, would have a corresponding negative impact of €5 million in 2015 (a negative impact of €13 million in 2014 and €1 million in 2013).

The impact on the income statement would be zero.

An increase of 1% of the interest rate curve, applied to interest-rate derivatives that do not qualify for hedge accounting, would have a positive impact of €9 million in 2015 (a positive impact of €18 million in 2014 and of €13 million in 2013).

An increase of 1% of the interest rate curve, applied to financial debt after taking into account derivatives qualified for hedge accounting, would have a positive impact of €346 million on its market value for 2015 (€273 million in 2014 and €263 million in 2013). However, this impact would not be accounted for, as the debt is reassessed to its fair value only when it is hedged. As a result, it would have no impact on either the income statement or on equity.

b/ Currency risk

i. Outstanding currency derivatives at December 31

Analysis by type and currency

(In millions of euros)	2015					2014		2013	
	U.S. dollar	British pound	Other	Total	Market value	Total	Market value	Total	Market value
Buy/Lend foreign currency									
Forward exchange contracts	238	157	153	548	1	963	10	222	(5)
Short-term exchange swaps	3,370	639	211	4,220	22	2,866	63	4,614	(42)
Cross currency swaps	459	-	-	459	108	412	56	-	-
Currency option contracts:									
• Buy call	-	-	-	-	-	-	-	-	-
• Sell put	-	-	-	-	-	-	-	-	-
Total	4,067	796	364	5,227	131	4,241	129	4,836	(47)
Sell/Borrow foreign currency									
Forward exchange contracts	298	135	160	593	(1)	366	(15)	350	2
Short-term exchange swaps	771	112	188	1,071	(58)	944	(16)	1,214	9
Cross currency swaps	-	-	-	-	-	-	-	-	-
Currency option contracts:									
• Sell call	-	-	-	-	-	-	-	-	-
• Buy put	-	-	-	-	-	39	-	-	-
Total	1,069	247	348	1,664	(59)	1,349	(31)	1,564	11
Total market value					72		98		(36)

Analysis by type and maturity

(In millions of euros)	Maturity date			
	Less than 1 year	1 to 5 years	After 5 years	Total
Buy/Lend				
Forward exchange contracts	548	-	-	548
Short-term exchange swaps	4,220	-	-	4,220
Cross currency swaps	-	459	-	459
Currency option contracts:				
• Buy call	-	-	-	-
• Sell put	-	-	-	-
Total	4,768	459	-	5,227

(In millions of euros)	Maturity date			
	Less than 1 year	1 to 5 years	After 5 years	Total
Sell/Borrow				
Forward exchange contracts	593	-	-	593
Short-term exchange swaps	1,071	-	-	1,071
Cross currency swaps	-	-	-	-
Currency option contracts:				
• Buy call	-	-	-	-
• Sell put	-	-	-	-
Total	1,664	-	-	1,664

Analysis by market value and maturity date

(In millions of euros)	Maturity date			Total
	Less than 1 year	1 to 5 years	After 5 years	
Total market value of derivatives as assets	-	119	-	119

(In millions of euros)	Maturity date			Total
	Less than 1 year	1 to 5 years	After 5 years	
Total market value of derivatives as liabilities	(58)	-	-	(58)

Analysis by accounting category

(In millions of euros)	Market value		
	2015	2014	2013
Fair value hedges	119	112	(39)
Cash flow hedges	(12)	1	(1)
Instruments not qualifying for hedge accounting	(46)	(15)	4
Total	61	98	(36)

ii. Exchange rate sensitivity

The most used cross currencies in the Group are U.S.\$ against EUR, GBP against EUR and GBP against U.S.\$. The sensitivity is calculated by increasing or decreasing the value of the U.S.\$ by 6% against other currencies.

An increase of foreign currency exchange rates versus EUR of 6%, applied to foreign exchange derivatives, would have a positive impact of €173 million in 2015 (against a positive impact of €101 million in 2014 and a positive impact of €201 million in 2013). This impact would affect the income statement only for foreign exchange derivatives which do not qualify for hedge accounting.

For foreign exchange derivatives qualified as a fair value hedge, an increase of 6% in the foreign currency exchange rate would have a positive impact of €185 million in 2015 (against a positive impact of €138 million in 2014 and a positive impact of €245 million in 2013). However, this positive effect would be offset by a negative impact due to the re-evaluation of the underlying items. The impact on income statement would therefore be zero.

For foreign exchange derivatives qualified as a cash flow hedge, a 6% increase in the foreign currency exchange rate would have a negative impact of €19 million on equity in 2015 (against a positive impact of €1 million on equity in 2014 and a negative impact of €1 million on equity in 2013).

(In millions of euros)	2015			2014			2013		
	Fair value	Fair value change if U.S.\$ falls by 6%	Fair value change if U.S.\$ rises by 6%	Fair value	Fair value change if U.S.\$ falls by 6%	Fair value change if U.S.\$ rises by 6%	Fair value	Fair value change if U.S.\$ falls by 6%	Fair value change if U.S.\$ rises by 6%
Outstanding foreign exchange derivatives									
Fair value hedges	119	(182)	185	112	(135)	138	(39)	(244)	245
Cash flow hedges	(12)	19	(19)	1	(1)	1	(1)	1	(1)
Derivatives not qualifying for hedge accounting	(46)	(8)	7	(15)	39	(38)	4	44	(43)
Total outstanding derivatives	61	(171)	173	98	(97)	101	(36)	(199)	201
Impact of outstanding derivatives on financial result	(46)	7	(8)	(15)	39	(38)	4	44	(43)
Impact of outstanding derivatives on income (loss) from operating activities	-	-	-	-	-	-	-	-	-
Impact of outstanding derivatives on equity	(12)	19	(19)	1	(1)	1	(1)	1	(1)

iii. Reclassification to income statement of gains or losses on hedging transactions that were originally recognized in equity

<i>(In millions of euros)</i>	
Cash flow hedges accounted for in equity at December 31, 2012	1
Changes in fair value	(1)
Reclassification of gains or losses to income statement ⁽¹⁾	1
Cash flow hedges accounted for in equity at December 31, 2013	1
Changes in fair value	(1)
Reclassification of gains or losses to income statement ⁽¹⁾	-
Cash flow hedges accounted for in equity at December 31, 2014	-
Changes in fair value	(11)
Reclassification of gains or losses to income statement ⁽¹⁾	8
Cash flow hedges accounted for in equity at December 31, 2015	(3)

(1) The amounts recognized directly in equity indicated in this table differ from those disclosed in the statement of comprehensive income, due to the amounts related to discontinued operations and commodities derivatives, which are excluded in the above table.

c/ Fair value hierarchy

<i>(In millions of euros)</i>	2015				2014				2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Financial assets available for sale at fair value	-	159	7	166	3	167	6	176	-	158	7	165
Financial assets at fair value through profit or loss ⁽¹⁾	-	1,570	-	1,570	-	1,605	-	1,605	-	2,192	-	2,192
Currency derivatives ⁽²⁾	-	175	-	175	-	149	-	149	-	18	-	18
Interest-rate derivatives -hedging ⁽²⁾	-	4	-	4	-	2	-	2	-	11	-	11
Interest-rate derivatives -other ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-
Cash equivalents ⁽³⁾	1,170	380	-	1,550	1,096	383	-	1,479	1,476	147	-	1,623
Total	1,170	2,288	7	3,464	1,099	2,306	6	3,411	1,476	2,526	7	4,009
Liabilities												
Currency derivatives ⁽²⁾	-	(108)	-	(108)	-	(51)	-	(51)	-	(54)	-	(54)
Interest-rate derivatives -hedging ⁽²⁾	-	-	-	-	-	-	-	-	-	(21)	-	(21)
Interest-rate derivatives -other ⁽²⁾	-	(11)	-	(11)	-	(9)	-	(9)	-	-	-	-
Total	-	(119)	-	(119)	-	(60)	-	(60)	-	(75)	-	(75)

(1) See Note 15.

(2) See Note 21.

(3) See Note 16. Actively traded money market funds are measured at their net asset value and classified as Level 1. The Group's remaining cash equivalents are classified as Level 2 and measured at amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization.

Financial assets at fair value through profit or loss and marketable securities that are included in financial assets available for sale at fair value classified in Level 2 are priced using quoted market prices for similar instruments or non-binding market prices that are corroborated by observable market data. The Group uses inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets.

The Group's derivative instruments are classified as Level 2, as they are not actively traded and are valued using pricing models that use observable market inputs (foreign currency exchange rates, volatility indices and interest rates).

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy for assets and liabilities that are measured at fair value on a recurring basis between 2015 and 2014, and between 2014 and 2013.

The financial assets categorized within Level 3 of the fair value hierarchy correspond to investments in non-consolidated companies. Amounts at stake are not material.

<i>(In millions of euros)</i>	
Amount in level 3 at December 31, 2013	7
Additions / (disposals)	-
Fair value changes through equity	(1)
Impairment losses	-
Change in consolidated group	-
Other changes	-
Amount in level 3 at December 31, 2014	6
Additions / (disposals)	-
Fair value changes through equity	1
Impairment losses	-
Change in consolidated group	-
Other changes	-
Amount in level 3 at December 31, 2015	7

Assets and Liabilities measured at Fair Value on a non-recurring basis:

The assets and liabilities that are remeasured at fair value on a non-recurring basis can include:

- loans and long-lived assets that have been reduced to fair value when they are held for sale;
- investments retained in formerly-consolidated subsidiaries (where we have sold a controlling stake but retained a non-controlling stake in the entity, resulting in the subsidiary's deconsolidation); and
- identifiable tangible and intangible assets and liabilities (excluding goodwill) resulting from business combinations.

The Group did not have any assets and liabilities measured at fair value on a non-recurring basis as of December 31, 2015, 2014 or 2013.

d/ Stock market risk

Alcatel-Lucent and its subsidiaries are not engaged in speculative trading in the stock markets. Subject to approval by Alcatel-Lucent, subsidiaries may make equity investments in selected companies.

e/ Credit risk

i. Maximum exposure to credit risk

The Group considers that its exposure is as follows:

<i>(In millions of euros)</i>	2015	2014	2013
Trade receivables and other receivables ⁽¹⁾	2,535	2,528	2,482
Marketable securities ⁽²⁾	1,626	1,672	2,259
Cash and cash equivalents ⁽³⁾	4,905	3,878	4,096
Other financial assets ⁽²⁾	361	406	322
Foreign exchange derivative assets ⁽⁴⁾	174	149	18
Interest-rate derivative assets ⁽⁴⁾	4	2	11
Other assets ⁽⁴⁾	1,106	1,120	1,135
Financial guarantees and off balance sheet commitments ⁽⁵⁾	2	2	8
Maximum exposure to credit risk	10,713	9,757	10,331

(1) See Note 19.

(2) See Note 15.

(3) See Note 16.

(4) See Note 21.

(5) See Note 28.

ii. Credit risk concentration

Due to the diversification of its customers and their geographical dispersion, management considers that there is no significant credit risk concentration. The credit risk for the top five customers does not exceed 30% of trade receivables.

iii. Outstanding financial assets not impaired

(In millions of euros)	Carrying value at December 31, 2015	Of which amounts neither overdue nor impaired	Of which amounts not impaired but overdue at closing date				Total
			< 1 month	From 1 to 6 months	From 6 months to 1 year		
					> 1 year		
Trade receivables and other receivables							
Interest-bearing receivables	5	5	-	-	-	-	-
Other trade receivables	2,703	2,262	75	106	56	37	274
Gross value	2,708	-	-	-	-	-	-
Valuation allowance	(168)	-	-	-	-	-	-
Net value	2,541	2,267	75	106	56	37	274

(In millions of euros)	Carrying value at December 31, 2014	Of which amounts neither overdue nor impaired	Of which amounts not impaired but overdue at closing date				Total
			< 1 month	From 1 to 6 months	From 6 months to 1 year		
					> 1 year		
Trade receivables and other receivables							
Interest-bearing receivables	1	1	-	-	-	-	-
Other trade receivables	2,720	2,144	109	154	72	49	384
Gross value	2,721	-	-	-	-	-	-
Valuation allowance	(193)	-	-	-	-	-	-
Net value	2,528	2,145	109	154	72	49	384

(In millions of euros)	Carrying value at December 31, 2013	Of which amounts neither overdue nor impaired	Of which amounts not impaired but overdue at closing date				Total
			< 1 month	From 1 to 6 months	From 6 months to 1 year		
					> 1 year		
Trade receivables and other receivables							
Interest-bearing receivables	5	5	-	-	-	-	-
Other trade receivables	2,634	2,190	82	130	45	30	287
Gross value	2,639	-	-	-	-	-	-
Valuation allowance	(157)	-	-	-	-	-	-
Net value	2,482	2,195	82	130	45	30	287

We do not consider other financial assets that are overdue but not impaired to be material.

iv. Changes to trade receivable valuation allowances

(In millions of euros)	Amounts
Valuation allowance at December 31, 2012	(120)
Net result impact	(62)
Write-offs	20
Translation adjustments	4
Other changes	1
Valuation allowance at December 31, 2013	(157)
Net result impact	(24)
Write-offs	4
Translation adjustments	(8)
Other changes	(8)
Valuation allowance at December 31, 2014	(193)
Net result impact	20
Write-offs	33
Translation adjustments	(2)
Other changes	(26)
Valuation allowance at December 31, 2015	(168)

v. Credit risk on marketable securities, cash, cash equivalents and financial derivative instruments

The Group is exposed to credit risk on its marketable securities, cash, cash equivalents and financial derivative instruments if the counterparty defaults on its commitments. The Group diversifies the counterparties in order to dilute the credit risk. This risk is followed daily, with strict limits based on the counterparties' rating. All counterparties are classified in the investment grade category as of December 31, 2015, December 31, 2014 and December 31, 2013. The exposure, with regard to each counterparty, is calculated by taking into account the fair value of the marketable securities, cash, cash equivalents and financial derivative instruments.

f/ Liquidity risk

i. Liquidity risk on the financial debt

As of December 31, 2015, the Group considers that its available marketable securities, cash and cash equivalents and the available syndicated bank credit facility (refer to Note 24) are sufficient to cover its operating expenses and capital expenditures and its financial debt requirements for the next twelve months.

ii. Liquidity risk on foreign exchange derivatives

The mark-to-market of foreign exchange derivatives (see part b/, paragraph i. Outstanding currency derivatives at December 31) appropriately conveys the liquidity risk.

Assets and liabilities related to foreign exchange derivatives are given in Note 21 Other assets and liabilities.

iii. Liquidity risk on guarantees and off balance sheet commitments

See Note 28 Contractual obligations and disclosures related to off balance sheet commitments.

NOTE 27 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a/ Net cash provided (used) by operating activities before changes in working capital, interest and taxes

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Net income (loss) attributable to the equity owners of the parent	257	(118)	(1,304)
Non-controlling interests	29	35	10
Adjustments:			
• Depreciation and amortization of tangible and intangible assets	615	545	600
<i>Of which impact of capitalized development costs</i>	172	164	163
• Impairment of assets	193	-	548
• Post-retirement benefit plan amendment	(404)	(112)	(135)
• Changes in pension and other post-retirement benefit obligations, net	119	(50)	(38)
• Provisions, other impairment losses and fair value changes	96	252	53
• Repurchase of bonds and change of estimates related to convertible debentures ⁽²⁾	-	132	226
• Net (gain) loss on disposal of assets	(176)	(88)	(31)
• Share in net income (losses) of equity affiliates (net of dividends received)	(2)	(15)	(6)
• (Income) loss from discontinued operations	16	49	25
• Finance costs and interest on tax litigations	273	279	391
• Share-based payments	15	16	19
• Income tax	(16)	(316)	(173)
Sub-total of adjustments	729	692	1,479
Net cash provided (used) by operating activities before changes in working capital, interest and taxes	1,015	609	185

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) See Notes 7 and 24.

b/ Free cash flow

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Net cash provided (used) by operating activities before changes in working capital, interest and income taxes	1,015	609	185
Change in operating working capital ⁽²⁾	160	(129)	(67)
Other current assets and liabilities ⁽³⁾	275	(35)	34
Net cash provided (used) by operating activities before interest and taxes	1,450	445	152
<i>Of which</i>			
- restructuring cash outlays	(424)	(463)	(511)
- contribution and benefits paid on pensions & other post-employment benefits	(122)	(192)	(189)
Interest received/(paid)	(198)	(225)	(296)
Taxes received/(paid)	(75)	(93)	(77)
Net cash provided (used) by operating activities	1,177	127	(221)
Capital expenditures	(580)	(556)	(463)
Disposal of Intellectual Property	29	9	27
Free cash flow - excluding discontinuing operations	626	(420)	(657)
Free cash flow from discontinuing operations	11	10	9
Free cash flow	637	(410)	(648)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) Including amounts received from discounted receivables (refer to Note 20).

(3) Including amounts received from the sale of French R&D tax credits ("crédits d'impôt recherche") disclosed in Note 20.

c/ Cash (expenditure) / proceeds from obtaining / losing control of consolidated entities

<i>(In millions of euros)</i>	2015	2014	2013
Obtaining control of consolidated entities			
Cash (expenditure) on acquisition of newly consolidated entities	(109)	(14)	-
Cash and cash equivalents of newly consolidated entities	-	-	-
Total - net impact on cash flows of obtaining control ⁽¹⁾	(109)	(14)	-
Losing control of consolidated entities			
Cash proceeds from disposal of formerly consolidated entities	-	113	-
Cash and cash equivalents of formerly consolidated entities	(1)	(29)	-
Total - net impact on cash flows of losing control	(1)	84	-

(1) For 2015, related to the acquisition of the equity in ALDA Marine owned by our joint venture partner, Louis Dreyfus Armateurs (LDA) for €76 million as well as the cable vessel *Ile d'Aix* and equipment for €26 million as part of a new partnership agreement entered into on March 18, 2015 (see note 3).

NOTE 28 CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET COMMITMENTS

a/ Contractual obligations

The following table presents minimum payments that the Group will have to make in the future under contracts and firm commitments as of December 31, 2015. Amounts related to financial debt, finance lease obligations and the equity component of Alcatel-Lucent's convertible bonds are fully reflected in the consolidated statement of financial position.

<i>(In millions of euros)</i>	Payment deadline				Total
	Before December 31, 2016	2017-2018	2019-2020	2021 and after	
Contractual payment obligations					
Financial debt (excluding finance leases)	559	1,103	2,037	1,484	5,183
Finance lease obligations	20	8	-	-	28
Equity component of convertible bonds	-	46	139	-	185
Sub-total - included in statement of financial position	579	1,157	2,176	1,484	5,396
Finance costs on financial debt	241	396	276	2	915
Operating leases ⁽¹⁾	151	200	138	135	624
Commitments to purchase fixed assets	33	-	-	-	33
Unconditional purchase obligations ⁽²⁾⁽³⁾	764	660	463	163	2,050
Sub-total - commitments not included in statement of financial position	1,189	1,256	877	300	3,622
Total contractual obligations⁽⁴⁾	1,768	2,413	3,053	1,784	9,018

(1) Reflected in statement of financial position €50 million.

(2) Of which €425 million relate to commitments made to HP pursuant to the sales cooperation agreement and the IT outsourcing transaction entered into with HP and €438 million relate to commitments made to Accenture as part of several outsourcing transactions mentioned below. Other unconditional purchase obligations result mainly from obligations under multi-year supply contracts linked to the sale of businesses to third parties.

(3) On April 1, 2015, we terminated certain license agreements and entered into new license agreements with Qualcomm, which were accounted for as intangible assets at its discounted value, that have terms ranging from 6 to 10 years. Total commitments amounted to €356 million, as of December 31, 2015.

(4) Obligations related to pensions, post-retirement health and welfare benefits and post-employment benefit obligations are excluded from the table (refer to Note 23).

Future minimum sublease rental income expected to be received under non-cancellable operating subleases was €101 million at December 31, 2015 (€97 million at December 31, 2014 and €81 million at December 31, 2013) out of which reflected in statement of financial position for €21 million.

Net lease payments under operating leases recognized as an expense in the income statement are analyzed as follows:

<i>(In millions of euros)</i>	2015	2014	2013
Lease payments - minimum	181	201	232
Lease payments - conditional	6	4	2
Sublease rental income	(35)	(30)	(26)
Total recognized in the income statement	152	178	208

b/ Off balance sheet commitments - commitments given

Off balance sheet commitments of the Group were primarily related to guarantees given to the Group's customers for contract execution (performance bonds, guarantees on advances received issued by financial institutions). Alcatel-Lucent does not rely on special purpose entities to deconsolidate these risks.

Guarantees given in the normal course of the Group's business are presented below. For guarantees given for contract performance, only those issued by the Group to back guarantees granted by financial institutions are presented below:

<i>(In millions of euros)</i>	2015	2014	2013
Guarantees given on contracts made by the Group	1,368	1,637	1,180
Discounted notes receivable with recourse ⁽¹⁾	-	-	-
Other contingent commitments ⁽²⁾	688	737	671
Sub-total - contingent commitments	2,056	2,374	1,851
Secured borrowings ⁽³⁾	-	2	8
Total⁽⁴⁾	2,056	2,376	1,859

(1) Amounts reported in this line item are related to discounting of receivables with recourse only. Total amounts of receivables discounted without recourse are disclosed in Note 20.

(2) Excluding the guarantee given to Louis Dreyfus Armateurs described below.

(3) Excluding the subordinated guarantees described below on certain bonds.

(4) Obligations related to pensions, post-retirement health and welfare benefits and post-employment benefit obligations are excluded from the table. Refer to Note 23 for a summary of our expected contributions to these plans.

Contingent commitments at December 31, 2015

(In millions of euros)

Contingent commitments	Maturity date				Total
	Less than one year	2 to 3 years	4 to 5 years	After 5 years	
Guarantees on Group contracts	934	95	33	288	1,350
Guarantees on third-party contracts	13	4	-	1	18
Discounted notes receivable and other	-	-	-	-	-
Other contingent commitments ⁽¹⁾	68	215	208	197	688
Total	1,015	314	241	486	2,056
Counter guarantees received	23	34	31	10	98

(1) Reflected in statement of financial position: €68 million.

The amounts of guarantees given on contracts reflected in the preceding tables represent the maximum potential amounts of future payments (undiscounted) that the Group could be required to make under current guarantees granted by the Group. The maximum potential amount reflects the undiscounted reliable best estimate of the highest payment that could effectively be made, even if the likelihood of occurrence of such payment is remote, and without taking into account any reduction related to potential recovery through recourse or collateralization provisions. If such a reliable best estimate is not available, the amount disclosed is the maximum amount the Group could be required to pay, with all the other characteristics remaining the same. In addition, most of the parent company guarantees and performance bonds given to our customers are insured; therefore, the estimated exposure related to the guarantees set forth in the preceding table may be reduced by insurance proceeds that we may receive in case of a claim.

Commitments related to product warranties and pension and post-retirement benefits are not included in the preceding table. These commitments are fully reflected in the consolidated financial statements. Contingent liabilities arising out of litigation, arbitration or regulatory actions are not included in the preceding table either, with the exception of those linked to the guarantees given on our long-term contracts. For more information concerning contingencies, see Note 31.

Guarantees given on our long-term contracts consist of performance bonds issued by financial institutions to customers and bank guarantees given to secure advance payments received from customers (excluding security interests and restricted cash which are included in the table below "Guarantees granted on debt, advance payments received, contingencies and security interests granted at December 31, 2015" of this note). Alcatel-Lucent gives guarantees related to advances and payments received from customers, or commits to indemnify the customer, if the contractor does not perform the contract in compliance with the terms of the contract. In the event that, due to occurrences, such as delay in delivery or litigation related to failure in performance on the underlying contracts, it becomes likely that Alcatel-Lucent will be liable for such guarantees, the estimated risk is reserved for in the consolidated statement of financial position under the caption "provisions" (see Note 25) or in inventory reserve. The amounts concerned are given in the preceding table in the specific caption "(1) Reflected in statement of financial position".

Commitments related to contracts that have been cancelled or interrupted due to the default or bankruptcy of the customer are included in the above-mentioned "Guarantees given on contracts made by the Group" as long as the legal release of the guarantee has not been obtained.

Guarantees given on third-party long-term contracts could require the Group to make payments to the guaranteed party based on a non-consolidated company's failure to perform under an agreement. The fair value of these contingent liabilities, corresponding to the premium to be received by the guarantor for issuing the guarantee, was nil as of December 31, 2015 (nil as of December 31, 2014 and as of December 31, 2013).

Alcatel-Lucent licenses to its customers software and rights to use intellectual property that might provide the licensees with indemnification against any liability arising from third-party claims of patent, copyright or trademark infringement. Alcatel-Lucent cannot determine the maximum amount of losses that Alcatel-Lucent could incur under this type of indemnification, because Alcatel-Lucent often may not have enough information about the nature and scope of an infringement claim until it has been submitted.

Alcatel-Lucent indemnifies its directors and certain of its current and former officers for third-party claims alleging certain breaches of their fiduciary duties as directors or officers. Certain costs incurred for providing such indemnification may be recovered under various insurance policies. Alcatel-Lucent is unable to reasonably estimate the maximum amount that could be payable under these arrangements, since these exposures are not capped, due to the conditional nature of its obligations and the unique facts and circumstances involved in each agreement. Historically, payments made under these agreements have not had a material effect on Alcatel-Lucent's business, financial condition, results of operations or cash flows.

Guarantees granted on debt, advance payments received, contingencies and security interests granted at December 31, 2015

<i>(In millions of euros)</i> Guarantees on borrowings and advance payments received	Maturity date					Total	Total of the statement of financial position caption	% of the statement of financial position caption
	Less than one year	2 to 3 years	4 to 5 years	After 5 years				
Security interests granted	-	-	-	-	-	-		
Other guarantees given	-	-	-	-	-	-		
Total	-	-	-	-	-	-		
Net book value of assets given in guarantee:	-	-	-	-	-	-		
• intangible assets	-	-	-	-	-	-	1,435	0.00%
• tangible assets	-	-	-	-	-	-	1,381	0.00%
• financial assets	-	-	-	-	-	-	361	0.00%
• inventories and work in progress	-	-	-	-	-	-	1,600	0.00%
Total	-	-	-	-	-	-	4,777	

Outsourcing transactions

No significant outsourcing agreement was signed in 2015.

Outsourcing transaction with Accenture

On February 28, 2014, in conjunction with the targeted cost savings of The Shift Plan, we entered into a 7-year Service Implementation Agreement with Accenture regarding the business transformation of our finance and accounting function. This agreement supplements two similar agreements regarding human resources and information technology. The Accenture agreements are expected to generate cost savings over the contract period, and cover: data processing services (back office) in finance, accounting and human resources, as well as IT services, support and maintenance of IT applications in the countries in which Alcatel-Lucent operates.

Overall, Alcatel-Lucent committed to purchase approximately €757 million of Accenture goods and services until end of 2020. As of December 31, 2015, the remaining purchase commitment was €438 million, included in the contractual payment obligations table in the line "Unconditional purchase obligations".

Outsourcing transaction with HCL Technologies

On July 1, 2014, in conjunction with the targeted cost savings of The Shift Plan, Alcatel-Lucent entered into a 7-year Master Service Agreement with HCL Technologies Limited regarding the transfer of a part of our R&D department for certain legacy technologies. This contract is expected to generate cost savings over the contract period in R&D development and maintenance domain. As part of an initial three year transition and transformation phase, Alcatel-Lucent is committed to restructuring those activities, which was estimated to cost €40 million.

Overall, Alcatel-Lucent is committed to purchase approximately €276 million of HCL services until 2021, of which €186 million remaining as of December 31, 2015, included in the contractual payment obligations table above in the line "Unconditional purchase obligations".

Outsourcing transaction with Hewlett Packard

On October 29, 2009, Alcatel-Lucent entered into a major IT outsourcing transaction with Hewlett Packard Company (HP), with an effective date of December 1, 2009, and at the same time entered into a ten-year sales cooperation agreement with HP.

The IT outsourcing transaction provides for HP to transform and manage a large part of Alcatel-Lucent's IT infrastructure. As part of an initial transition and transformation phase (referred to as the "T&T phase"), HP invested its own resources to transform Alcatel-Lucent's global IT/IS platforms. As a result, Alcatel-Lucent committed to restructure its IT/IS operations for a cost recognised in restructuring for €263 million between 2010 and 2015, all restructuring projects were completed by the end of 2015.

As part of the transfer of resources, in 2010 Alcatel-Lucent sold to HP IT infrastructure assets under a sale and finance leaseback arrangement, the payment obligations for which are included in "Finance lease obligations" in the contractual payments obligations table above representing a €10 million finance lease obligation as of December 31, 2015 (€3 million as of December 31, 2014 and €10 million as of December 31, 2013).

Also as part of the overall arrangement, the following commitments were included in the HP agreement:

- a minimum value commitment regarding the amount of IT managed services to be purchased or procured by Alcatel-Lucent from HP and/or any HP affiliates over ten years, for a total amount of €1,422 million and with a remaining commitment of €411 million as of December 31, 2015; and

- a commitment to make certain commercial efforts related to the development of sales pursuant to the sales cooperation agreement, including through the establishment of dedicated teams, representing a minimum investment of €44 million over six years with a remaining commitment of €14 million as of December 31, 2015.

These two commitments are included in the contractual payment obligations table above in the line “Unconditional purchase obligations” for the remaining balance as of December 31, 2015.

Other Commitments - Contract Manufacturers/Electronic Manufacturing Services (EMS) providers

Alcatel-Lucent outsources a significant amount of manufacturing activity to a limited number of electronic manufacturing service (EMS) providers. The EMSs manufacture products using Alcatel-Lucent’s design specifications and they test platforms in line with quality assurance programs, and standards established by Alcatel-Lucent. EMSs are required to procure components and subassemblies that are used to manufacture products based on Alcatel-Lucent’s demand forecasts from suppliers in Alcatel-Lucent’s approved supplier lists.

Generally, Alcatel-Lucent does not own the components and sub-assemblies purchased by the EMS and title to the products is generally transferred from the EMS providers to Alcatel-Lucent upon delivery. Alcatel-Lucent records the inventory purchases upon transfer of title from the EMS to Alcatel-Lucent. Alcatel-Lucent establishes provisions for excess and obsolete inventory based on historical trends and future expected demand. This analysis includes excess and obsolete inventory owned by EMSs that is manufactured on Alcatel-Lucent’s behalf, and excess and obsolete inventory that will result from non-cancellable, non-returnable (NCNR) component and sub-assembly orders that the EMSs have with their suppliers for parts meant to be integrated into Alcatel-Lucent products. In 2015, Alcatel-Lucent recorded a charge of €3 million for excess inventory commitments with our EMS providers compared to a charge of €32 million in 2014 (and a charge of €26 million in 2013).

Alcatel-Lucent generally does not have minimum purchase obligations in its contract-manufacturing relationships with EMS providers and therefore the contractual payment obligations table presented above under the heading “Contractual Obligations”, does not include any commitments related to EMS providers.

Guaranties provided in respect of some Alcatel-Lucent and Alcatel-Lucent USA Inc. debt instruments

Alcatel-Lucent USA Inc. ’s subordinated guaranty of Alcatel-Lucent 6.375% Notes due 2014

The guaranty linked to the 6.375% notes has been released as part of the full repayment of these notes in April 2014.

Alcatel-Lucent USA Inc. ’s senior guaranty of Alcatel-Lucent 8.50% Senior Notes due 2016

On November 15, 2013, Alcatel-Lucent USA Inc., as well as other subsidiaries of Alcatel-Lucent, issued a full and unconditional guaranty of Alcatel-Lucent’s 8.50% Senior Notes due 2016 (the principal amount of which was €190 million on December 31, 2015). The guaranty is given on a senior unsecured basis and will rank *pari passu* in right of payment with all existing and future senior indebtedness of Alcatel-Lucent USA Inc. and senior in right of payment to all its existing and future indebtedness that is by its terms expressly subordinated to the guaranty. The guaranty will be effectively subordinated in right of payment to all debt secured by the assets of Alcatel-Lucent USA Inc.

Alcatel-Lucent USA Inc. ’s senior guaranty of Alcatel-Lucent Revolving Credit Facility

On December 17, 2013, Alcatel-Lucent USA Inc., as well as other subsidiaries of Alcatel-Lucent, issued a full and unconditional guaranty of Alcatel-Lucent’s €504 million Revolving Credit Facility (which was undrawn on December 31, 2015). The guaranty is given on a senior unsecured basis and will rank *pari passu* in right of payment with all existing and future senior indebtedness of Alcatel-Lucent USA Inc. and senior in right of payment to all its existing and future indebtedness that is by its terms expressly subordinated to the guaranty should the Revolving Credit Facility be drawn. The guaranty will be effectively subordinated in right of payment to all debt secured by the assets of Alcatel-Lucent USA Inc.

Alcatel-Lucent’s senior guaranties of certain Alcatel-Lucent USA Inc. Senior Notes

Alcatel-Lucent USA Inc. issued (i) in August 2013 8.875% Senior Notes due January 1, 2020 (the principal amount of which was €459 million on December 31, 2015), (ii) in November 2013 6.750% Senior Notes due November 15, 2020 (the principal amount of which was €643 million on December 31, 2015) and (iii) in December 2013, 4.625% Senior Notes due July 1, 2017 (the principal amount of which was €598 million on December 31, 2015). These Notes are fully and unconditionally guaranteed, on a senior unsecured basis, by Alcatel-Lucent and other subsidiaries of Alcatel-Lucent. Alcatel-Lucent’s guaranty will rank *pari passu* in right of payment with all existing and future senior indebtedness of Alcatel-Lucent and senior in right of payment to all its existing and future indebtedness that is by its terms expressly subordinated to the guaranty. The guaranty will be effectively subordinated in right of payment to all debt secured by the assets of Alcatel-Lucent.

Specific commitments

Alcatel-Lucent USA Inc. 's Separation Agreements

Alcatel-Lucent USA Inc. is party to various agreements that were entered into in connection with the separation of Alcatel-Lucent USA Inc. and former affiliates, including AT&T, Avaya, LSI Corporation (formerly Agere Systems, before its merger with LSI corporation in April 2007) and NCR Corporation. Pursuant to these agreements, Alcatel-Lucent USA Inc. and the former affiliates agreed to allocate certain liabilities related to each other's business, and have agreed to share liabilities based on certain allocations and thresholds. Alcatel-Lucent USA Inc. has a provision of €6 million as of December 31, 2014 for a claim asserted by NCR Corporation relating to NCR Corporation's liabilities for the environmental clean-up of the Fox River in Wisconsin, USA. Future developments in connection with the Fox River claim may warrant additional adjustments of existing provisions. We are not aware of any material liabilities to Alcatel-Lucent USA Inc.'s former affiliates as a result of the separation agreements that are not otherwise reflected in the 2014 consolidated financial statements. Nevertheless, it is possible that potential liabilities for which the former affiliates bear primary responsibility may lead to contributions by Alcatel-Lucent USA Inc. beyond amounts currently reserved.

Alcatel-Lucent USA Inc. 's Guarantees and Indemnification Agreements

Alcatel-Lucent USA Inc. divested certain businesses and assets through sales to third-party purchasers and spin-offs to the other common shareowners of the businesses spun off. In connection with these transactions, certain direct or indirect indemnifications were provided to the buyers or other third parties doing business with the divested entities. These indemnifications include secondary liability for certain leases of real property and equipment assigned to the divested entity and specific indemnifications for certain legal and environmental contingencies, as well as vendor supply commitments. The durations of such indemnifications vary but are standard for transactions of this nature.

Alcatel-Lucent USA Inc. remains secondarily liable for approximately U.S.\$7 million of lease obligations as of December 31, 2015 (U.S.\$7 million of lease obligations as of December 31, 2014 and U.S.\$23 million of lease obligations as of December 31, 2013), that were assigned to Avaya, LSI Corporation and purchasers of other businesses that were divested. The remaining terms of these assigned leases and the corresponding guarantees range from one month to eight years. The primary obligor of the assigned leases may terminate or restructure the lease before its original maturity and thereby relieve Alcatel-Lucent USA Inc. of its secondary liability. Alcatel-Lucent USA Inc. generally has the right to receive indemnity or reimbursement from the assignees and we have not reserved for losses on this form of guarantee.

Alcatel-Lucent USA Inc. is party to a tax-sharing agreement to indemnify AT&T and is liable for tax adjustments that are attributable to its lines of business, as well as a portion of certain other shared tax adjustments during the years prior to its separation from AT&T. Alcatel-Lucent USA Inc. has similar agreements with Avaya and LSI Corporation. Certain proposed or assessed tax adjustments are subject to these tax-sharing agreements. We do not expect that the outcome of these other matters will have a material adverse effect on our consolidated results of operations, consolidated financial position or near-term liquidity.

Letter of Indemnity in favor of Louis Dreyfus Armateurs.

During the first half of 2011, we provided a letter of Indemnity (LOI) in favor of Louis Dreyfus Armateurs (LDA), our co-venturer in Alda Marine, our jointly-controlled entity, pursuant to which we agreed to indemnify LDA in respect of any losses arising out of exposure of crews to radiation from the nuclear power plant at Fukushima, in connection with the repairs conducted by Alcatel-Lucent during the second quarter of 2011 on a submarine cable system, which required the use of vessels managed by LDA.

Our aggregate potential liability under this LOI may not exceed €50 million, as increased annually by the lower of (i) 5% and (ii) the percentage rate of revaluation of crew salaries awarded by LDA. This LOI expires on April 15, 2081.

As the levels of radiation measured during the repairs were always below the critical level as defined by the IRSN (Institut de Radioprotection et de Sûreté Nucléaire), the risk of payment pursuant to the indemnity is considered remote as of December 31, 2015.

c/ Off balance sheet commitments - commitments received

(In millions of euros)	2015	2014	2013
Guarantees received or security interests received on lendings	-	-	46
Counter-guarantees received on guarantees given on contracts	1	1	1
Other commitments received ⁽¹⁾	97	90	94
Total	98	91	141

(1) Mainly future minimum sublease rental income (see note 28a).

NOTE 29 RELATED PARTY TRANSACTIONS

Related parties are mainly:

- shareholders of Alcatel-Lucent;
- jointly-controlled entities (accounted for using equity method);
- investments in associates (accounted for using equity method);
- non-consolidated entities; and
- key management personnel.

To the Group's knowledge, Odey Asset Management LLP and The Capital Group Companies, Inc. were the only shareholder holding more than 5% of the parent company's share capital as of December 31, 2015.

Transactions with related parties (as defined by IAS 24 "Related Party Disclosures") during 2015, 2014 and 2013 were as follows:

<i>(In millions of euros)</i>	2015	2014	2013
Revenues			
Non-consolidated affiliates	-	5	15
Joint operations	9	9	5
Joint ventures	-	-	-
Equity affiliates	19	2	9
Cost of sales			
Non-consolidated affiliates	-	(32)	(48)
Joint operations	(7)	(7)	(5)
Joint ventures	-	-	-
Equity affiliates	(39)	(98)	(104)

Outstanding balances arising from related party transactions at December 31, 2015, 2014 and 2013 were as follows:

<i>(In millions of euros)</i>	2015	2014	2013
Other assets			
Non-consolidated affiliates	4	6	7
Joint operations	2	2	-
Joint ventures	-	-	-
Equity affiliates ⁽¹⁾	9	11	21
Other liabilities			
Non-consolidated affiliates	(4)	(5)	(10)
Joint operations	(6)	(6)	-
Joint ventures	-	-	-
Equity affiliates ⁽¹⁾	(1)	(22)	(17)
Cash (financial debt), net			
Non-consolidated affiliates	-	-	-
Joint operations	3	-	(2)
Joint ventures	-	-	-
Equity affiliates	-	-	-

(1) Loan to a co-venturer has been reimbursed in 2014 (refer to Notes 15 and 24).

Members of the Board of Directors and members of the Group's executive committee are those present during the year and listed in the Corporate Governance section of the Annual Report. In 2015, 2014 and 2013, compensation, benefits and social security contributions attributable to members of the Board of Directors and to the executive committee members (Key management personnel) were as follows:

Recorded expense in respect of compensation and related benefits attributable to Key management personnel during the year

<i>(In millions of euros)</i>	2015	2014	2013 ⁽¹⁾
Short-term benefits			
Fixed remuneration	4	4	5
Variable remuneration ⁽²⁾	5	3	2
Directors' fees	1	1	1
Employer's social security contributions	7	2	2
Termination benefits and retirement indemnities ⁽³⁾	14	-	3
Other benefits			
Post-employment benefits	2	1	(1) ⁽⁴⁾
Share-based payments	1	5	8
Total	34	16	20

(1) The 2013 French exceptional additional income tax on personal income above €1 million has been reported as an operating expense in the 2013 income statement (above figures do not include the potential impact of such exceptional tax).

(2) Including retention bonuses.

(3) Including non compete bonus and change in control provisions.

(4) The positive effect is mainly due to the French Auxad pension plan amendment (refer to Note 23e).

NOTE 30 EMPLOYEE BENEFIT EXPENSES AND AUDIT FEES

a/ Employee benefit expenses

<i>(In millions of euros)</i>	2015	2014	2013
Wages and salaries ⁽¹⁾	4,388	4,148	4,630
Restructuring costs ⁽²⁾	121	245	302
Post-retirement benefit plan amendments ⁽³⁾	(396)	(112)	(133)
Financial component of pension and post-retirement benefit costs ⁽⁴⁾	121	44	84
Net employee benefit expenses	4,234	4,325	4,883

(1) Including social security expenses and operational pension costs. This is reported in Income (loss) from operating activities before restructuring costs, impairment of assets, gain/(loss) on disposal of consolidated entities, litigations and post-retirement benefit plan amendments.

(2) See Note 25d.

(3) See Note 23e.

(4) See Note 7.

b/ Audit fees

NOTE 31 CONTINGENCIES

In addition to legal proceedings incidental to the conduct of its business (including employment-related collective actions in France and the United States) which management believes are adequately reserved against in the financial statements (see Note 25e) or will not result in any significant costs to the Group, Alcatel-Lucent is involved in the following legal proceedings.

a/ Governmental actions and investigations

Costa Rican Actions

In early October 2004, Alcatel-Lucent learned that investigations had been launched in Costa Rica by the Costa Rican prosecutors and the National Congress, regarding payments made by consultants allegedly on behalf of Alcatel CIT, a French subsidiary now called Alcatel-Lucent France (CIT), or other Alcatel-Lucent subsidiaries to various public officials in Costa Rica, two political parties in Costa Rica and representatives of Instituto Costarricense de Electricidad (ICE), the state-owned telephone company, in connection with the procurement by CIT of several contracts for network equipment and services from ICE.

Alcatel-Lucent settled the Attorney General's social damages claims in return for a payment by CIT of approximately U.S.\$10 million.

On June 30, 2015, Alcatel-Lucent, Alcatel-Lucent International (formerly Alcatel-Lucent France) and Alcatel-Lucent Trade International AG signed a settlement agreement with Instituto Costarricense de Electricidad (ICE) in full and final settlement of all litigation between the parties, and more specifically the following court proceedings:

- civil claim filed by ICE against Alcatel-Lucent International, among others, in the context of the criminal proceedings brought against various Costa Rican individuals as a consequence of the September 2004 bribery allegations;
- claim filed by Alcatel-Lucent International against ICE in October 2008 regarding ICE's termination of the 400KL GSM contract;
- civil claim filed by ICE in May 2012 against Alcatel-Lucent, Alcatel-Lucent International and Alcatel-Lucent Trade International AG for damages on the basis of the corruption matter that was investigated by and settled with the Costa Rican and the United States authorities.

As part of the settlement agreement, Alcatel-Lucent International agreed to pay ICE a total settlement amount of U.S.\$10 million, through a combination of a cash payment and of set-off against certain accounts receivable. ICE and Alcatel-Lucent filed joint requests with the various Costa Rican Courts seeking dismissal of the three cases.

The parties also requested the Court handling the 400KL GSM contractual claim to release and transfer to Alcatel-Lucent International the U.S.\$ 15 million deposit, which was fully paid to Alcatel-Lucent International in August 2015. All three cases were duly dismissed by the respective competent Court. There is no longer any pending litigation concerning the 2004 bribery allegations with ICE anywhere in the world.

Investigation and action in France

French authorities are carrying out investigations into certain conduct by Alcatel-Lucent subsidiaries in Nigeria and French Polynesia.

With respect to Nigeria, French authorities requested that Alcatel-Lucent produce further documents related to payments made by its subsidiaries to certain consultants in Nigeria. Alcatel-Lucent responded to the request and is continuing to cooperate with the investigating authorities.

The investigation with respect to French Polynesia concerns the conduct of Alcatel-Lucent's telecommunication submarine system subsidiary, Alcatel-Lucent Submarine Networks (ASN), and certain former employees of Alcatel-Lucent in relation to a project for a telecommunication submarine cable between Tahiti and Hawaii awarded to ASN in 2007 by the state-owned telecom agency of French Polynesia (OPT). On September 23, 2009, four of those former employees were placed under formal investigation on suspicion of being accomplices to alleged favoritism in connection with the award by OPT of this public procurement project. On November 23, 2009, ASN was placed under formal investigation on suspicion of benefitting from favoritism. In March 2011, several current or former public officials of French Polynesia were placed under formal investigation on suspicion of either favoritism or being accomplices to favoritism. In a decision dated February 6, 2014, the investigating magistrate determined that ASN has to stand trial for allegedly benefitting from favoritism.

If ASN were convicted of a criminal violation, the French courts could, among other things, fine ASN and/or ban it from participating in French public procurement contracts for a certain period. ASN generated less than half a million euros of revenues from French public procurement contracts in 2014. Accordingly, Alcatel-Lucent does not believe that a loss of business as a result of such a ban would have a material effect on the Alcatel-Lucent group as a whole.

Investigations in Nigeria

On February 21, 2013, we were advised that the Nigerian anticorruption authorities had commenced an investigation regarding the alleged mismanagement of the National Rural Telephony Project and the involvement of Alcatel-Lucent Nigeria Ltd (ALU Nigeria) and other vendors in such project. Our Chinese joint venture, Alcatel-Lucent Shanghai Bell (ASB), entered into a contract with the Nigerian government for Phase I of this project on June 5, 2002. By an amendment dated April 4, 2003, the contract was assigned to a consortium including ASB and a state-owned Chinese engineering company named China National Machinery and Equipment Import and Export Corporation (CMEC). ALU Nigeria was not a party to the consortium, but acted as a subcontractor for the project. Phase I of this project was accepted by the Nigerian government. On December 27, 2006, ASB and CMEC entered into a contract with the Nigerian government for Phase II of this project, and our portion of the contract was assigned to CMEC on February 1, 2007. Phase II of the project was never performed due to a lack of financing. We still do not have any more detail as to the nature of the alleged mismanagement. We are cooperating with this investigation and conducting an internal review into this matter.

b/ Other proceedings

Legal proceeding on the pension fund in the Netherlands

Upon termination of the administration agreement relating to the pension fund for the Alcatel-Lucent employees in the Netherlands on December 31, 2011, the pension fund administrator filed a claim against our Dutch subsidiary with the District Court in The Hague for up to €182 million in damages to compensate it for the wind-up costs allegedly to be incurred due to such termination. On October 11, 2012, the District Court dismissed the claim entirely. The pension fund filed an appeal with the Court of Justice in The Hague on January 8, 2013, increasing its principal claim to a maximum amount of €276 million, and asserting several alternative claims for lower amounts, the lowest amount being €14 million. On September 9, 2014, the Court of Justice upheld the District Court's decision to dismiss the lawsuit. On December 9, 2014 the pension fund filed a cassation request (to set aside the decision) with the Dutch High Council. A decision by the Council is expected in the first quarter of 2016. No reserve has been booked in this matter.

c/ Effect of the various proceedings

Governmental investigations and legal proceedings are subject to uncertainties and the outcomes thereof are difficult to predict. Consequently, Alcatel-Lucent is unable to estimate the ultimate aggregate amount of monetary liability or financial impact with respect to these matters. Because of the uncertainties of government investigations and legal proceedings, one or more of these matters could ultimately result in material monetary payments by Alcatel-Lucent beyond those to be made by reason of the various settlement agreements described in this Note 31.

Except for these governmental investigations and legal proceedings and their possible consequences as set forth above, the Company is not aware, as of the date this document is being published, of any legal proceeding or governmental investigation (including any suspended or threatened proceeding) against Alcatel-Lucent and/or its subsidiaries that could have a material impact on the financial situation or profitability of the Group.

No significant new litigation has been commenced since December 31, 2015.

NOTE 32 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On January 4, 2016, the French financial regulator, the Autorité des marchés financiers (the "AMF"), published the interim results of the public exchange offer initiated by Nokia for all outstanding ordinary shares, American depositary shares (the "ADSs") and OCEANE convertible bonds (the "OCEANEs") of Alcatel-Lucent, in exchange for Nokia shares or Nokia American depositary shares (the "Offer") and declared that the Offer has a positive result.

On January 7, 2016, Nokia announced that its public exchange offer for Alcatel-Lucent securities in France and in the United States (the "Offer") has been settled, that its new shares have been entered into the Finnish Trade Register and that Nokia was included in the CAC 40 index.

On January 8, 2016, the newly constituted Board of directors decided, by delegating to the Chief Financial Officer, to terminate Alcatel-Lucent's program for ADSs following the settlement of the initial period of the offer and to seek the delisting of Alcatel-Lucent's ADSs from the New York Stock Exchange following the settlement of the reopened offer.

On January 11, 2016, Alcatel-Lucent announced that Alcatel-Lucent USA Inc. will exercise its option to redeem in full the entire outstanding \$700 million principal amount of its 6.750% Senior Notes due 2020, the entire outstanding \$500 million principal amount of its 8.875% Senior Notes due 2020, and the entire outstanding \$650 million principal

amount of its 4.625% Senior Notes due 2017. The Notes will be redeemed in full on February 10, 2016 at a “make-whole” redemption price. The “make-whole” corresponds to an amount of €110 million (U.S.\$120 million).

Nokia Corporation will provide a revolving credit liquidity support facility concurrently with the redemption of the Notes.

On January 15, 2016, Alcatel-Lucent repaid on the maturity date the €190 million outstanding under its 8.50% Senior Notes.

On February 4, 2016, we sent a notice of termination of our €504 million revolving credit facility we entered into December 17, 2013.

On February 4, 2016, Qualcomm notified us that they were exercising their option to immediately terminate one of our two license agreements following the results of the Alcatel-Lucent share exchange offer with Nokia that occurred in January 2016. Pursuant to the license agreement, Qualcomm had the right to terminate the license agreement upon a change of control. The termination results in the acceleration of all remaining unpaid quarterly royalty payments of €278 million (U.S.\$302.5 million) to become due and payable to Qualcomm within 30 days of termination. The full carrying amount of the patent rights recognized in “other intangible assets” will be impaired for €287 million in the first quarter ended March 31, 2016. Alcatel-Lucent will now be covered by rights previously negotiated between Nokia and Qualcomm.

On February 10, 2016, the AMF published the results of the reopened offer period of Nokia's public exchange offer for Alcatel-Lucent securities in France and in the United States.

426,695,572 Alcatel-Lucent ordinary shares, 52,286,499 ADSs, 4,795,096 OCEANE 2018 convertible bonds, 19,971,720 OCEANE 2019 convertible bonds, and 56,644,832 OCEANE 2020 convertible bonds have been tendered into the reopened offer in France and/or in the U.S (Alcatel-Lucent shares, ADSs and convertible bonds together the "Alcatel-Lucent Securities"). As a consequence, following settlement of the reopened offer which is expected to occur on February 12, 2016, Nokia will hold 91.25% of the share capital and at least 91.17% of the voting rights of Alcatel Lucent, 99.62% of the outstanding OCEANE 2018 convertible bonds, 37.18% of the outstanding OCEANE 2019 convertible bonds, and 68.17% of the outstanding OCEANE 2020 convertible bonds. This equates to Nokia holding 88.07% of the share capital on a fully diluted basis.

NOTE 33 MAIN CONSOLIDATED COMPANIES

Company	Country	% interest	Consolidation method
Alcatel-Lucent ^{(2) (3)}	France		Parent company
Operating companies ⁽¹⁾			
Alcatel-Lucent Australia Limited	Australia		Full consolidation
Alcatel-Lucent Austria AG	Austria		Full consolidation
Alcatel-Lucent Bell NV	Belgium		Full consolidation
Alcatel-Lucent Brasil S/A	Brazil		Full consolidation
Alcatel-Lucent Canada Inc.	Canada		Full consolidation
Alcatel-Lucent Deutschland AG	Germany		Full consolidation
Alcatel-Lucent España S.A.	Spain		Full consolidation
Alcatel-Lucent India Limited	India		Full consolidation
Alcatel-Lucent International	France		Full consolidation
Alcatel-Lucent Italia S.p.A.	Italy		Full consolidation
Alcatel-Lucent Mexico S.A. de C.V.	Mexico		Full consolidation
Alcatel-Lucent Nederland B.V.	The Netherlands		Full consolidation
Alcatel-Lucent Polska Sp Z.o.o.	Poland		Full consolidation
Alcatel-Lucent Portugal, S.A.	Portugal		Full consolidation
Alcatel-Lucent Schweiz AG	Switzerland		Full consolidation
Alcatel-Lucent Shanghai Bell Co., Ltd	China	50	Full consolidation ⁽⁴⁾
Alcatel-Lucent Submarine Networks	France		Full consolidation
Alcatel-Lucent Telecom Limited	U.K.		Full consolidation
Alcatel-Lucent USA Inc.	U.S.A.		Full consolidation
Holdings			
Financial Holdings			
Alcatel-Lucent Holdings Inc.	U.S.A.		Full consolidation
Alcatel-Lucent Participations	France		Full consolidation
Florelec	France		Full consolidation
Financial Services			
Electro Banque	France		Full consolidation
Electro Ré	Luxemburg		Full consolidation

(1) Percentages of interest equal 100% unless otherwise specified.

(2) Publicly traded.

(3) The activities of Alcatel-Lucent, as the parent company, are included under the business segment "Other".

(4) Entity fully controlled by the Group holding 50% plus one share.

NOTE 34 QUARTERLY INFORMATION (UNAUDITED)

Consolidated income statements

(In millions of euros - except per share data)

2015	Q1	Q2	Q3	Q4	Total
Revenues	3,235	3,450	3,429	4,161	14,275
Cost of sales	(2,116)	(2,248)	(2,247)	(2,521)	(9,132)
Gross profit	1,119	1,202	1,182	1,640	5,143
Administrative and selling expenses	(428)	(436)	(422)	(475)	(1,761)
Research and development costs	(615)	(598)	(555)	(610)	(2,378)
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	76	168	205	555	1,004
Restructuring costs	(69)	(122)	(84)	(126)	(401)
Litigations	(19)	-	2	(3)	(20)
Gain/(loss) on disposal of consolidated entities	(4)	(4)	-	7	(1)
Transaction-related costs	-	-	(27)	(77)	(104)
Impairment of assets	-	-	(193)	-	(193)
Post-retirement benefit plan amendments	-	(1)	1	404	404
Income (loss) from operating activities	(16)	41	(96)	760	689
Finance costs	(65)	(70)	(69)	(65)	(269)
Other financial income (loss)	37	(44)	(30)	(99)	(136)
Share in net income (losses) of associates & joint ventures	1	-	1	-	2
Income (loss) before income tax and discontinued operations	(43)	(73)	(194)	596	286
Income tax (expense) benefit	(21)	15	5	17	16
Income (loss) from continuing operations	(64)	(58)	(189)	613	302
Income (loss) from discontinued operations	(14)	-	(4)	2	(16)
NET INCOME (LOSS)	(78)	(58)	(193)	615	286
Attributable to:					
- Equity owners of the parent	(72)	(54)	(206)	589	257
- Non-controlling interests	(6)	(4)	13	26	29
Earnings (loss) per share (in euros)					
Basic earnings (loss) per share:					
–from continuing operations	(0.02)	(0.02)	(0.07)	0.21	0.10
–from discontinued operations	(0.01)	0.00	0.00	0.00	(0.01)
–attributable to the equity owners of the parent	(0.03)	(0.02)	(0.07)	0.21	0.09
Diluted earnings (loss) per share					
–from continuing operations	(0.02)	(0.02)	(0.07)	0.18	0.10
–from discontinued operations	(0.01)	0.00	0.00	0.00	(0.01)
–attributable to the equity owners of the parent	(0.03)	(0.02)	(0.07)	0.18	0.09

<i>(In millions of euros - except per share data)</i>					
2014	Q1	Q2	Q3	Q4	Total
Revenues	2,963	3,279	3,254	3,682	13,178
Cost of sales	(2,007)	(2,211)	(2,149)	(2,403)	(8,770)
Gross profit	956	1,068	1,105	1,279	4,408
Administrative and selling expenses	(389)	(403)	(408)	(421)	(1,621)
Research and development costs	(547)	(543)	(541)	(584)	(2,215)
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	20	122	156	274	572
Restructuring costs	(67)	(275)	(75)	(157)	(574)
Litigations	4	-	1	2	7
Gain/(loss) on disposal of consolidated entities	(16)	(3)	(1)	40	20
Impairment of assets	-	-	-	-	-
Post-retirement benefit plan amendments	-	-	103	9	112
Income (loss) from operating activities	(59)	(156)	184	168	137
Finance costs	(78)	(76)	(71)	(66)	(291)
Other financial income (loss)	(4)	(114)	(57)	(36)	(211)
Share in net income (losses) of associates & joint ventures	2	5	1	7	15
Income (loss) before income tax and discontinued operations	(139)	(341)	57	73	(350)
Income tax (expense) benefit	55	37	5	219	316
Income (loss) from continuing operations	(84)	(304)	62	292	(34)
Income (loss) from discontinued operations	16	3	(66)	(2)	(49)
NET INCOME (LOSS)	(68)	(301)	(4)	290	(83)
Attributable to:					
- Equity owners of the parent	(73)	(298)	(18)	271	(118)
- Non-controlling interests	5	(3)	14	19	35
Earnings (loss) per share (in euros)					
Basic earnings (loss) per share:					
—from continuing operations	(0.04)	(0.11)	0.02	0.10	(0.02)
—from discontinued operations	0.01	0.00	(0.03)	0.00	(0.02)
—attributable to the equity owners of the parent	(0.03)	(0.11)	(0.01)	0.10	(0.04)
Diluted earnings (loss) per share					
—from continuing operations	(0.04)	(0.11)	0.02	0.08	(0.02)
—from discontinued operations	0.01	0.00	(0.03)	0.00	(0.02)
—attributable to the equity owners of the parent	(0.03)	(0.11)	(0.01)	0.08	(0.04)

(In millions of euros - except per share data)

2013 ⁽¹⁾	Q1	Q2	Q3	Q4	Total
Revenues	3,078	3,452	3,520	3,763	13,813
Cost of sales	(2,208)	(2,377)	(2,401)	(2,505)	(9,491)
Gross profit	870	1,075	1,119	1,258	4,322
Administrative and selling expenses	(490)	(469)	(472)	(431)	(1,862)
Research and development costs	(578)	(582)	(554)	(554)	(2,268)
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	(198)	24	93	273	192
Restructuring costs	(120)	(188)	(113)	(97)	(518)
Litigations	(2)	(1)	1	-	(2)
Gain/(loss) on disposal of consolidated entities	2	-	-	-	2
Impairment of assets	-	(552)	-	4	(548)
Post-retirement benefit plan amendments	55	40	-	40	135
Income (loss) from operating activities	(263)	(677)	(19)	220	(739)
Finance costs	(98)	(109)	(90)	(95)	(392)
Other financial income (loss)	(53)	(72)	(128)	(65)	(318)
Share in net income (losses) of associates & joint ventures	2	1	2	2	7
Income (loss) before income tax and discontinued operations	(412)	(857)	(235)	62	(1,442)
Income tax (expense) benefit	52	(26)	62	85	173
Income (loss) from continuing operations	(360)	(883)	(173)	147	(1,269)
Income (loss) from discontinued operations	(9)	(4)	(21)	9	(25)
NET INCOME (LOSS)	(369)	(887)	(194)	156	(1,294)
Attributable to:					
– Equity owners of the parent	(353)	(885)	(200)	134	(1,304)
– Non-controlling interests	(16)	(2)	6	22	10
Earnings (loss) per share (in euros) ⁽²⁾					
Basic earnings (loss) per share:					
–from continuing operations	(0.14)	(0.37)	(0.07)	0.05	(0.53)
–from discontinued operations	(0.01)	(0.00)	(0.01)	0.00	(0.01)
–attributable to the equity owners of the parent	(0.15)	(0.37)	(0.08)	0.05	(0.54)
Diluted earnings (loss) per share:					
–from continuing operations	(0.14)	(0.37)	(0.07)	0.05	(0.53)
–from discontinued operations	(0.01)	(0.00)	(0.01)	0.00	(0.01)
–attributable to the equity owners of the parent	(0.15)	(0.37)	(0.08)	0.05	(0.54)

(1) 2013 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) As a result of the capital increase of Alcatel-Lucent in 2013 via an offering of preferential subscription rights to existing shareholders, the calculation of basic and diluted earnings per share has been adjusted retrospectively. Number of outstanding ordinary shares has been adjusted to reflect the proportionate change in the number of shares.

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Alcatel-Lucent Reports Q4 2015 Results **Successful Completion of The Shift Plan** **Group generates Euro 660 million of free cash flow in 2015**

The Shift Plan

- Free cash flow of Euro 660 million in 2015, exceeding the Shift Plan target of being free cash flow positive in 2015
- Cumulative fixed cost savings over the Shift Plan horizon of Euro 1,031 million, surpassing the objective of Euro 950 million
- Core Networking revenues totaling Euro 6,780 million with adjusted operating margin of 10.0% in 2015 as a whole, consistent with the revised objectives
- Access operating cash flow at Euro 627 million for 2015, exceeding the Shift Plan target of Euro 200 million
- Debt reduction exceeding the Shift Plan target of Euro 2 billion, evidenced by net cash position of Euro 1,409 million compared to a net debt position of Euro (794) million at the end of Q2 2013
- Share of next-generation technologies growing to 77% of revenues in 2015, from around half of revenues in 2012
- Gross margin reaching 36.0% in 2015, an improvement of nearly 7 percentage points compared to 2012
- Adjusted Operating margin reaching 7.2% in 2015, an improvement of 9 percentage points compared to 2012

Q4'15 Results

- Group revenues, excluding Managed Services and at constant perimeter, increasing 15% year-on-year and 6% at constant exchange rates
- Strong growth in next-generation technologies revenues, up 36% year-on-year and 26% at constant exchange rates, and now representing 79% of revenues compared to 67% in the year-ago quarter.
- Record profitability with gross margin expanding 470 bps to 39.4%, reflecting a very high level of activity at the end of the year, composed notably of significant software sales.
- Adjusted operating profit almost doubling year-over-year to Euro 560 million; adjusted operating margin reaching 13.5%, up 580 bps, reflecting the improvement in gross margin and relatively lower operating expenses.
- Reported Group share of net income amounting Euro 589 million for the quarter, leading to a full year level of Euro 257 million, the first full year profit since 2011. Excluding Nokia transaction related costs, Group share of net income reaching Euro 659 million for the fourth quarter and Euro 361 million for 2015 as a whole.
- Free cash flow of Euro 1,020 million, the highest level ever recorded in any quarter since the Alcatel-Lucent merger.



Key numbers for the fourth quarter and full year 2015 (unaudited)

In Euro million (except for EPS)	Fourth quarter 2015	Fourth quarter 2014	Change y-o-y	2015	2014	Change
Profit&Loss Statement						
Revenues	4,161	3,682	13%/4%*	14,275	13,178	8%/-4%*
Gross profit	1,640	1,279	361	5,143	4,408	735
<i>in % of revenues</i>	<i>39.4%</i>	<i>34.7%</i>	<i>470 bps</i>	<i>36.0%</i>	<i>33.4%</i>	<i>260 bps</i>
Adjusted Operating income	560	284	276	1,029	623	406
<i>in % of revenues</i>	<i>13.5%</i>	<i>7.7%</i>	<i>580 bps</i>	<i>7.2%</i>	<i>4.7%</i>	<i>250 bps</i>
Net income (loss) (Group share)¹	659	271	388	361	(118)	479
Reported EPS diluted (in Euro)	0.18	0.08	<i>Nm</i>	0.09	(0.04)	<i>Nm</i>
Reported E/ADS diluted (in USD)	0.20	0.10	<i>Nm</i>	0.10	(0.05)	<i>Nm</i>
Cash Flow Statement						
Segment Operating cash flow	942	518	424	1,189	494	695
Free cash flow¹	1,020	264	756	660	(420)	1,080
Free cash flow before restructuring cash outlays ¹	1,136	420	716	1,084	43	1,041
The Shift Plan KPIs						
Core Networking Revenues	2,047	1,802	14%/7%*	6,780	5,966	14%/4%*
Core Networking Adjusted Operating income	333	288	45	678	630	48
<i>in % of revenues</i>	<i>16.3%</i>	<i>16.0%</i>	<i>30 bps</i>	<i>10.0%</i>	<i>10.6%</i>	<i>-60 bps</i>
Access operating cash flow	515	154	361	627	48	579
Cumulative Fixed Cost Savings	1,031	675	356	1,031	675	356

* At constant rate

⁽¹⁾ Excluding Nokia transaction related costs

Paris, February 11, 2016 - Alcatel-Lucent (Euronext Paris and NYSE: ALU) delivered a record set of results for Q4 2015 reflecting a relentless focus on execution, as the Group prepares to combine with Nokia, as well as benefitting from a very high level of activity at the end of the year.

Commenting on the results, Philippe Camus, Chairman and CEO of Alcatel-Lucent, said: "Our Q4 results demonstrate best-in-class execution, enabling us to close the Shift journey with the pride of having accomplished what we had committed to. Until the very last day of the quarter, the organization showed relentless dedication leading to the fulfillment of the major goals of The Shift Plan, the most emblematic being free cash flow positive and reaching Euro 950 million of cumulative fixed costs savings. I would like to thank all our employees for such an achievement and our customers for their trust. Based on this success, the Group has now embarked on the next chapter of its story with Nokia and will continue to deliver value as part of a global leader in technology and services for an IP connected world."

Highlights of The Shift Plan

- The Shift Plan was launched in June 2013 with the triple ambition of repositioning the Group from a telecom equipment generalist to a specialist in IP, cloud and ultra-broadband technologies, re-establishing competitiveness and restoring a sound balance sheet. The release of Q4 and Full-Year 2015 results demonstrate the success of this turnaround.
- Major KPIs of the Plan fulfilled:
 - Free Cash Flow: the target of being free cash flow positive in 2015 was largely exceeded with inflows of Euro 660 million for the year as a whole. This compares to an outflow of Euro (668) million in 2012.
 - Fixed Cost savings: the target of Euro 950 million cumulative fixed costs savings was surpassed with an actual realization of Euro 1,031 million.

- Core Networking segment: revenues totaled Euro 6,780 million and adjusted operating margin reached 10.0% in 2015, consistent with the revised objectives. In 2012, Core Networking revenues were Euro 6,180 million and adjusted operating margin was 2.3%.
- Access segment: operating cash flow reached Euro 627 million for 2015, largely exceeding the Shift Plan target of Euro 200 million. In 2012, Access segment cash flow was (105) million.
- The Group successfully repositioned itself as a leader in IP, Cloud and Ultra-broadband technologies, as evidenced by the growing share of next-generation technologies which, from around half of revenues in 2012, represented 77% in 2015, growing at a double-digit pace on average over the period. At the same time, the share of R&D spending into next-generation technologies expanded from 67% in 2012 to 87% of total R&D in 2015.
- The Group operating model now allows for a cost structure that is aligned with peers and a lower breakeven point, primarily through sales and marketing efficiency, R&D resources allocation, and procurement optimization. Gross margin moved up from 29.1% in 2012 to 36.0% in 2015, gaining nearly 7 percentage points over the period, while adjusted operating margin expanded by 9 percentage points from (1.8%) in 2012 to 7.2% in 2015. This represents an improvement of nearly Euro 1.3 billion in operating income throughout the period.
- Substantial decrease of our pension risk exposure in the Group's US pension plan liabilities notably as a result of the previously announced lump sum offer, which stood at US\$ 21.7 billion at the end of 2015 compared to US\$ 30.0 billion at the end of 2012, despite the negative impact of new mortality tables over the period.
- Lastly, the Group completed its refinancing as soon as 2014. In less than a year, the debt was reprofiled, maturity lengthened and cash interest costs reduced. At the end of 2015, the Group had a net cash position of Euro 1,409 million compared to a net debt position of Euro (794) million at the end of Q2 2013.

Highlights of Q4 2015

- Group revenues, excluding Managed Services and at constant perimeter, increased 15% year-on-year, with strong growth in next-generation revenues, which were up 36%. At constant exchange rates, Group revenues increased 6% while next-generation revenues were up 26%. The weight of next-generation revenues continued to progress, representing 79% of revenues compared to 67% in the year-ago quarter.
- Gross margin expanded to its highest-level since the Alcatel-Lucent merger, at 39.4%, an increase of 470 bps year-on-year, driven by improved profitability in certain business lines and a very high level of activity at the end of the year, composed notably of a high proportion of software sales. On a more normalized basis, gross margin for the quarter would have been lower by a few percentage points though still substantially above the level of Q4 2014.
- Adjusted operating income totaled Euro 560 million, or 13.5% of revenues, compared to Euro 284 million in the year-ago quarter, or 7.7% of revenues. The substantial increase in adjusted operating margin reflects the improvement in gross margin and relatively lower operating expenses. Profitability of our Core Networking segment improved slightly compared to the year ago quarter to reach an adjusted operating margin of 16.3% while our Access segment set a new record with an adjusted operating margin of 11.8% compared to 0.3% in the year-ago quarter.
- As reported, Group share of net income amounted Euro 589 million or Euro 0.21 per share. Excluding Nokia transaction related costs, Group share of net income was Euro 659 million for the fourth quarter compared to Euro 271 million in the year-ago period. The improvement compared to the year-ago quarter mainly stems from improved adjusted operating income as well as the recognition of the positive impact of the US pension lump-sum offer, as described in our Q3 results report. The successful completion of such lump-sum pension offer to US retirees resulted in an actual increase in US pension surplus of US\$ 449 million which was recognized in Q4. This was partially offset by an increase in financial expense of Euro 62 million largely as a result of mark-to-market of certain positions.
- Free cash flow excluding transaction related costs was Euro 1,020 million, the highest level ever recorded since the Alcatel-Lucent merger. In addition to stronger profitability, free cash flow performance reflects continued efforts to tightly manage working capital, with a particular focus on reducing inventories and overdues, and the ability to rapidly monetize revenues recorded at the end of the year.

Highlights of 2015

- Group revenues, excluding Managed Services and at constant perimeter, increased 10% year-on-year, driven by notable strength in next-generation revenues, which grew 24%. At constant exchange rates, Group revenues were down 2%, while next-generation revenues were up 11%. The weight of next-generation revenues continued to progress, representing 77% of revenues compared to 67% last year.
- Gross margin reached 36.0% of revenues, an increase of 260 bps year-on-year.
- Adjusted operating income totaled Euro 1,029 million, or 7.2% of revenues, compared to Euro 623 million in 2014, or 4.7% of revenues. Our Core Networking segment reached an adjusted operating margin of 10.0%, a slight decrease compared to 2014 but on substantially higher revenues, while our Access segment adjusted operating margin increased 510 bps year-over-year to 5.7%.
- In 2015, the Group's income tax benefit showed a substantial decrease compared to 2014, reflecting the increase in deferred tax assets in 2014 as a result of the improvement of the profitability of the Group as part of the Shift Plan.
- At December 31, 2015, the Group's overall Pensions and OPEB exposure indicated a deficit of Euro 1,271 million compared to a deficit of Euro 1,350 million as of December 31, 2014 (in each case before taking into account applicable asset ceilings). In addition, there was a substantial decrease in the Group's US pension plan liabilities as a result of the previously announced lump sum offer, which stood at US\$ 21.7 billion at the end of 2015 compared to US\$ 29.5 billion at the end of 2014. The US qualified pension plans surplus, as a result of the lump sum offer, has increased by US\$ 449 million to reach US\$ 2.4 billion, or 11.1% of liabilities, compared to US\$ 2.0 billion, or 7.2% of liabilities, immediately prior to the offer.
- As reported, the Group showed a net income (Group share) of Euro 257 million in 2015, or Euro 0.09 per share, compared to a net loss of Euro (118) million in the year-ago period.

CORE NETWORKING

Core Networking segment revenues were Euro 2,047 million in Q4 2015, an increase of 14% year-over-year at actual rates and 7% at constant rates. Adjusted operating income totaled Euro 333 million, or 16.3% of segment revenues in Q4 2015, up from Euro 288 million and 16.0% respectively in Q4 2014. Core Networking segment operating cash flow was Euro 454 million in the quarter, an increase of Euro 39 million compared to Q4 2014.

For the full year 2015, Core Networking segment revenues were Euro 6,780 million, up 14% at actual rates and 4% at constant rates, compared to 2014. Adjusted operating income was Euro 678 million or 10.0% of segment revenues in 2015, a decrease of 60 bps compared to 2014. Core Networking segment operating cash flow of Euro 650 million increased 122 million compared to 2014.

Breakdown of segment (In Euro million)	Fourth quarter 2015	Fourth quarter 2014	Change y-o-y (actual)	Change y-o-y (constant)	Third quarter 2015	Change q-o-q (actual)	Change q-o-q (constant)
Core Networking							
Revenues	2,047	1,802	14%	7%	1,608	27%	27%
IP Routing	778	664	17%	10%	649	20%	19%
IP Transport	772	649	19%	15%	556	39%	38%
IP Platforms	497	489	2%	-6%	403	24%	23%
Adjusted Operating income	333	288	45		151	182	
<i>in % of revenues</i>	<i>16.3%</i>	<i>16.0%</i>	<i>30 bps</i>		<i>9.4%</i>	<i>690 bps</i>	
Segment Operating Cash-Flow	454	415	39		45	409	
<i>in % of revenues</i>	<i>22.2%</i>	<i>23.0%</i>	<i>-80 bps</i>		<i>2.8%</i>	<i>1940 bps</i>	

Breakdown of segment (In Euro million)	2015	2014	Change y-o-y (actual)	Change y-o-y (constant)
	Core Networking			
Revenues	6,780	5,966	14%	4%
IP Routing	2,669	2,368	13%	2%
IP Transport	2,450	2,114	16%	10%
IP Platforms	1,661	1,484	12%	0%
Adjusted Operating income	678	630	48	
<i>in % of revenues</i>	<i>10.0%</i>	<i>10.6%</i>	<i>-60 bps</i>	
Segment Operating Cash-Flow	650	528	122	
<i>in % of revenues</i>	<i>9.6%</i>	<i>8.9%</i>	<i>70 bps</i>	

IP Routing revenues were Euro 778 million in Q4 2015, an increase of 17% at actual rates and 10% at constant rates, when compared to Q4 2014. The business recorded its best quarter ever, registering double digit growth in EMEA, APAC (excluding China) and CALA and modest growth in North America. Revenues from non-telco customers continued to progress and represented more than 15% of total IP Routing sales. Full year revenues for IP Routing increased 13% at actual rates and 2% at constant rates.

- Traction in our 7950 XRS IP Core router remained solid, with 5 new wins in Q4 2015, bringing the total to date to 55. Notable wins include Telecom Italia, which extends our presence to 50 of the top 50 Service Providers (by Capex), and the Swiss national rail organization SBB, which illustrates the competitive effectiveness associated with a converged IP/Optics portfolio. XRS revenues once again grew at a very strong rate year-over-year while market share continued to expand (7.5% in Q3'15, according to Dell'Oro).
- Virtualized routing momentum continues, with 13 new customers for the VSR in Q4 2015, bringing the total to 44 deployments and over 90 trials.
- Nuage gained 20 new customers in the fourth quarter, bringing the total to 50 wins, with recent announcements at Telefonica Business Solutions and Centurylink, in addition to recent wins at a number of financial institutions and a leading insurance company.

IP Transport revenues were Euro 772 million in Q4 2015, up 19% at actual rates and 15% at constant rates, compared to the year-ago quarter. Terrestrial optics experienced solid year-over-year revenue growth, with particular strength in EMEA, APAC (excluding China), CALA and a recovery in North America. ASN witnessed a strong order book, notably driven by 2 major contracts coming into force including Seabras, and reflecting increasing investments from webscale players, to cope with their massive need of data transmission. Full year revenues for IP Transport increased 16% at actual rates and 10% at constant rates.

- Within WDM, our 1830 Photonic Service Switch (PSS) platform represented 70% of terrestrial optical product revenues in the quarter, up 15 percentage points year-on-year, and was notably selected by the Ooredoo Group, TTCL and the Swiss national rail organization, SBB.
- In Q4 2015, our 100G shipments represented 46% of total WDM line cards shipments, an increase of 14 percentage points year-on-year. Traction for 200G continues, as an increasing amount of line ports shipped in Q4 were 200G capable.
- Bell Labs revealed an optical networking technology that could potentially help operators address rapid network data traffic growth, through world's first demonstration of the MIMO-SDM technique, which has the potential to increase today's 10 to 20 Terabit-per-second fiber capacities to Petabit-per-second capacity.
- ASN continues to build its pipeline as evidenced by recent turnkey contract with Amper SA, subsidiary Bluesky Pacific Group, to roll out a new submarine cable system spanning more than 9,700 km across the Pacific, in addition to the recent Phase II roll-out of the African Coast to Europe (ACE) submarine cable system.

IP Platforms revenues were Euro 497 million in Q4 2015, a year-on-year increase of 2% at actual rates and a 6% decline at constant rates, impacted by a tough comparison basis in the year ago quarter while strong commercial traction witnessed at the end of the year has yet to translate into revenues. Full year revenues for IP Platforms increased 12% at actual rates and were flat at constant rates.

ACCESS

Access segment revenues were Euro 2,117 million in Q4 2015, up 13% year-over-year at actual rates and 4% at constant rates. In Q4 2015, segment operating income was Euro 250 million, an increase of Euro 244 million from the year-ago quarter. Segment operating cash flow was Euro 515 million in the quarter, Euro 361 million better than Q4 2014.

For the full year 2015, Access segment revenues were Euro 7,482 million, up 5% at actual rates and down 8% at constant rates, compared to 2014. Adjusted operating income improved to Euro 423 million or 5.7% of segment revenues in 2015, an increase of 510 bps compared to 2014. Access segment operating cash flow of Euro 627 million increased 579 million compared to 2014, largely exceeding the Shift Plan target of Euro 200 million in 2015.

Breakdown of segment (In Euro million)	Fourth quarter 2015	Fourth quarter 2014	Change y-o-y (actual)	Change y-o-y (constant)	Third quarter 2015	Change q-o-q (actual)	Change q-o-q (constant)
Access							
Revenues	2,117	1,871	13%	4%	1,811	17%	16%
Wireless Access	1,380	1,211	14%	3%	1,184	17%	15%
Fixed Access	666	549	21%	15%	548	22%	22%
Managed services	61	96	-36%	-38%	65	-6%	-6%
Licensing	10	15	-33%	-27%	14	-31%	-27%
Adjusted Operating income	250	6	244		83	167	
<i>in % of revenues</i>	<i>11.8%</i>	<i>0.3%</i>	<i>1150 bps</i>		<i>4.6%</i>	<i>720 bps</i>	
Segment Operating Cash-Flow	515	154	361		41	474	
<i>in % of revenues</i>	<i>24.3%</i>	<i>8.2%</i>	<i>1610 bps</i>		<i>2.3%</i>	<i>2200 bps</i>	

Breakdown of segment (In Euro million)	2015	2014	Change y-o-y (actual)	Change y-o-y (constant)
Access				
Revenues	7,482	7,157	5%	-8%
Wireless Access	4,896	4,685	5%	-10%
Fixed Access	2,268	2,048	11%	2%
Managed services	262	369	-29%	-33%
Licensing	56	55	3%	-2%
Adjusted Operating income	423	42	381	
<i>in % of revenues</i>	<i>5.7%</i>	<i>0.6%</i>	<i>510 bps</i>	
Segment Operating Cash-Flow	627	48	579	
<i>in % of revenues</i>	<i>8.4%</i>	<i>0.7%</i>	<i>770 bps</i>	

Wireless Access revenues were Euro 1,380 million, a year-on-year increase of 14% at actual rates and 3% at constant rates. Within Wireless, growth was essentially driven by 4G LTE, with notable strength in both China and North America. Full year revenues for Wireless Access increased 5% at actual rates and declined 10% at constant rates.

- Alcatel-Lucent was chosen by China Telecom to expand 4G LTE across 12 provinces in China in addition to deploying its carrier aggregation capability, allowing LTE radios to combine multiple frequency bands to increase data speeds and lower latency.
- Four new small cell customers were added in the quarter, bringing our total to 87, while Alcatel-Lucent's 9961 Multi-Standard Home Cell was deployed by T-Mobile as part of its 4G LTE CellSpot.

- Alcatel-Lucent introduced a radio interface for distributed antenna systems, the DAS-RFM, which allows mobile operators to improve signal performance while reducing power consumption, space and operational costs by as much as 90% when connecting subscribers at large public venues, such as shopping malls, hotels and office blocks.
- To accelerate the delivery of commercial virtualized radio access network (vRAN) products, Alcatel-Lucent recently signed collaboration agreements with the industry-leading cloud software and hardware companies, Red Hat, Advantech and 6WIND in order to meet mobile operators' requirements for performance, scalability and availability.

Fixed Access revenues were Euro 666 million in Q4 2015, an increase of 21% compared to the year-ago quarter at actual rates and 15% at constant rates. Strong year-over-year growth was driven primarily by APAC, notably in Australia and China, CALA and, to a lesser extent, North America. Full year revenues for Fixed Access increased 11% at actual rates and 2% at constant rates.

- Alcatel-Lucent was selected as exclusive supplier of ultra-broadband fixed access technology for A1 Telekom Austria, which includes both G.fast and Vplus technologies, in addition to IP routing and optical equipment.
- Alcatel-Lucent's fiber technology helped Swisscom reach its 1 million fiber-to-the-home target in Switzerland in 2015.
- Indian cable operator DEN Networks to launch ultra-broadband Internet connectivity to homes and businesses using GPON fixed access, IP routing and aggregation technologies.
- A lab trial with Deutsche Telekom was recently completed demonstrating XG-FAST, an extension of G.fast technology, which generated data throughput speeds of more than 10 gigabits-per-second (Gbps) over bonded telephone lines.

GEOGRAPHICAL INFORMATION

North America revenues increased 15% at actual rates year-over-year and 2% at constant rates reflecting a strong end of year activity notably in terrestrial optics, wireless and fixed networks. Revenues in Europe increased 2% year-over-year and 1% at constant rates. Excluding Managed Services, revenue growth in Europe stood respectively at 4% and 3%. Asia Pacific posted 20% year-over-year growth at actual rates and 12% at constant rates, notably reflecting continued strength in Australia. In Rest of World, revenues were up 15% at actual rates and 12% at constant rates mainly driven by CALA.

Geographic breakdown of revenues (In Euro million)	Fourth quarter 2015	Fourth quarter 2014	Change y-o-y (actual)	Change y-o-y (constant)	Third quarter 2015	Change q-o-q (actual)	Change q-o-q (constant)
North America	1,718	1,489	15%	2%	1,416	21%	20%
Europe	906	890	2%	1%	797	14%	14%
Asia Pacific	904	754	20%	12%	779	16%	15%
RoW	633	549	15%	12%	437	45%	44%
Total group revenues	4,161	3,682	13%	4%	3,429	21%	21%

Geographic breakdown of revenues (In Euro million)	2015	2014	Change y-o-y (actual)	Change y-o-y (constant)
North America	6,222	5,793	7%	-10%
Europe	3,199	2,982	7%	6%
Asia Pacific	2,958	2,631	12%	1%
RoW	1,896	1,772	7%	2%
Total group revenues	14,275	13,178	8%	-4%

P&L HIGHLIGHTS (UNAUDITED)

Adjusted Profit & Loss Statement (In Euro million except for EPS)	Fourth quarter 2015	Fourth quarter 2014	Change Y-o-Y	Third quarter 2015	Change q-o-q
Revenues	4,161	3,682	13%/4%*	3,429	21%/21%*
Cost of sales	(2,521)	(2,403)	(118)	(2,247)	(274)
Gross profit	1,640	1,279	361	1,182	458
<i>in % of revenues</i>	<i>39.4%</i>	<i>34.7%</i>	<i>470 bps</i>	<i>34.5%</i>	<i>490 bps</i>
SG&A expenses	(477)	(417)	14%	(422)	13%
R&D costs	(603)	(578)	4%	(548)	10%
Adjusted Operating income	560	284	276	212	348
<i>in % of revenues</i>	<i>13.5%</i>	<i>7.7%</i>	<i>580 bps</i>	<i>6.2%</i>	<i>730 bps</i>
Restructuring costs	(126)	(157)	31	(84)	(42)
Litigations	(3)	2	(5)	2	(5)
Gain/(loss) on disposal of consolidated entities & transaction costs	-	40	(40)	-	-
Nokia transaction costs	(70)	-	(70)	(27)	(43)
Impairment of assets	-	-	-	(193)	193
Post-retirement benefit plan amendment	405	9	396	1	403
Financial expense	(164)	(102)	(62)	(99)	(65)
Share in net income of equity affiliates	-	7	(7)	1	(1)
Income/(loss) tax benefit	15	216	(201)	1	14
Income/(loss) from discontinued activities	1	(2)	3	(4)	5
Adjusted Net income (loss) (Group share)	592	278	314	(203)	796
Non-controlling interests	26	19	7	13	12
Adjusted EPS diluted (in Euro)	0.18	0.09	Nm	(0.07)	Nm
Adjusted E/ADS* diluted (in USD)	0.20	0.10	Nm	(0.08)	Nm
Number of diluted shares (million)	3,415.7	3,473.4	Nm	2,796.5	Nm

Adjusted Profit & Loss Statement (In Euro million except for EPS)	2015	2014	Change
Revenues	14,275	13,178	8%/-4%*
Cost of sales	(9,132)	(8,770)	(362)
Gross profit	5,143	4,408	735
<i>in % of revenues</i>	<i>36.0%</i>	<i>33.4%</i>	<i>260 bps</i>
SG&A expenses	(1,763)	(1,594)	11%
R&D costs	(2,351)	(2,191)	7%
Adjusted Operating income	1,029	623	406
<i>in % of revenues</i>	<i>7.2%</i>	<i>4.7%</i>	<i>250 bps</i>
Restructuring costs	(401)	(574)	173
Litigations	(20)	7	(27)
Gain/(loss) on disposal of consolidated entities & transaction costs	(1)	20	(21)
Nokia transaction costs	(104)	-	(104)
Impairment of assets	(193)	-	(193)
Post-retirement benefit plan amendment	404	112	292
Financial expense	(405)	(502)	97
Share in net income of equity affiliates	2	15	(13)
Income/(loss) tax benefit	6	297	(291)
Income/(loss) from discontinued activities	(16)	(49)	34
Adjusted Net income (loss) (Group share)	272	(86)	358
Non-controlling interests	29	35	(6)
Adjusted EPS diluted (in Euro)	0.10	(0.03)	Nm
Adjusted E/ADS* diluted (in USD)	0.11	(0.04)	Nm
Number of diluted shares (million)	2,852.7	2,815.4	Nm

*At constant rate

CASH FLOW STATEMENT HIGHLIGHTS (UNAUDITED)

Cash Flow highlights (In Euro million)	Fourth quarter 2015	Fourth quarter 2014	2015	2014
Adjusted operating income	560	284	1,029	623
Change in operating WCR	382	234	160	(129)
Segment Operating Cash Flow	942	518	1,189	494
Depreciation & Amort and other adjustments	399	149	790	587
Operating Cash Flow	1,341	667	1,979	1,081
Interest	(1)	(13)	(198)	(225)
Income tax (expense)	(20)	(18)	(75)	(93)
Pension funding & retiree benefit cash outlays	(33)	(39)	(105)	(173)
Restructuring cash outlays	(116)	(156)	(424)	(463)
Capital expenditures (incl. R&D cap.)	(184)	(178)	(580)	(556)
Disposal of Intellectual Property	13	1	29	9
Free Cash Flow	1,000	264	626	(420)
o/w Transaction related costs	20	-	34	-
Free Cash Flow excluding transaction related costs	1,020	264	660	(420)
Free Cash Flow excl. restructuring cash outlays & transaction costs	1,136	420	1,084	43

BALANCE SHEET HIGHLIGHTS (UNAUDITED)

Statement of position - Assets (In Euro million)	Dec 31, 2015	Sept 30, 2015
Total non-current assets	11,597	11,222
Goodwill & intangible assets, net	4,650	4,567
Prepaid pension costs	2,935	2,813
Other non-current assets	4,012	3,842
Total current assets	11,592	10,747
OWC assets	4,180	4,451
Other current assets	881	987
Marketable securities, cash & cash equivalents	6,531	5,309
Total assets	23,189	21,969

Statement of position - Liabilities and equity (In Euro million)	Dec 31, 2015	Sept 30, 2015
Total equity	4,597	2,678
Attributable to the equity owners of the parent	3,693	1,811
Non controlling interests	904	867
Total non-current liabilities	10,645	11,801
Pensions and other post-retirement benefits	4,506	5,611
Long term debt	4,632	4,798
Other non-current liabilities	1,507	1,392
Total current liabilities	7,947	7,490
Provisions	1,128	1,151
Short term debt	579	503
OWC liabilities	4,372	4,240
Other current liabilities	1,868	1,596
Total liabilities and shareholder's equity	23,189	21,969

Notes

The Board of Directors of Alcatel-Lucent met on February 10, 2016, examined the Group's unaudited consolidated financial statements at December 31, 2015.

The consolidated financial statements are unaudited. They are available on our website <http://www.alcatel-lucent.com/investors/financial-results/Q4-2015>

Operating income is the Income from operating activities before restructuring costs, litigations, impairment of assets, gain on disposal of consolidated entities and post-retirement benefit plan amendments.

"Adjusted" refers to the fact that it excludes the main impacts from Lucent's purchase price allocation.

"Segment operating cash flow" is the adjusted operating income plus operating working capital change at constant exchange rate.

"Operating cash-flow" is defined as cash-flow after changes in working capital and before interest/tax paid, restructuring cash outlay and pension & OPEB cash outlay.

About Alcatel-Lucent (Euronext Paris and NYSE: ALU)

Alcatel-Lucent is the leading IP networking, ultra-broadband access and cloud technology specialist. We are dedicated to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide. Our mission is to invent and deliver trusted networks to help our customers unleash their value. Every success has its network.

For more information, visit Alcatel-Lucent on: <http://www.alcatel-lucent.com>, read the latest posts on the Alcatel-Lucent blog <http://www.alcatel-lucent.com/blog> and follow the Company on Twitter: http://twitter.com/Alcatel_Lucent.

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FORWARD-LOOKING STATEMENTS

To the extent this communication contains forward-looking statements that reflect Alcatel-Lucent's current expectations and views of future events and developments, which statements can be identified by terms and phrases such as "anticipate," "should," "likely," "foresee," "believe," "estimate," "expect," "intend," "continue," "could," "may," "plan," "project," "predict," "will" and similar expressions, such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Alcatel Lucent's control, which could cause actual results to differ materially from such statements. These forward-looking statements are based on Alcatel Lucent's beliefs, assumptions and expectations of future performance, taking into account the information currently available to it, and are only predictions based upon Alcatel Lucent's current expectations and views of future events and developments and are subject to risks and uncertainties that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. In all events, such forward-looking statements should be read in conjunction with the other cautionary statements that are included elsewhere, including the Risk Factors section of the Registration Statement (as defined below), Nokia's and Alcatel Lucent's most recent annual reports on Form 20-F, reports furnished on Form 6-K by either Alcatel Lucent or Nokia, and any other documents that Nokia or Alcatel Lucent have filed with the SEC. Any forward-looking statements made in this communication are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Alcatel Lucent will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Alcatel Lucent or its business or operations. Except as required by law, Alcatel Lucent undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ADJUSTED PROFORMA RESULTS

In the fourth quarter, the reported net income (Group share) was Euro 589 million or Euro 0.17 per diluted share (USD 0.19 per ADS) including the negative after tax impact from Purchase Price Allocation entries of Euro 3 million.

In addition to the reported results, Alcatel-Lucent is providing adjusted results in order to provide meaningful comparable information, which excludes the main non-cash impacts from Purchase Price Allocation (PPA) entries in relation to the Lucent business combination. The fourth quarter 2015 adjusted net income (Group share) was Euro 592 million or Euro 0.17 per diluted share (USD 0.19 per ADS).

(In Euro million except for EPS)	Q4 2015			2015		
	As reported	PPA	Adjusted	As reported	PPA	Adjusted
Revenues	4,161		4,161	14,275		14,275
Cost of sales	(2,521)		(2,521)	(9,132)		(9,132)
Gross Profit	1,640		1,640	5,143		5,143
SG&A expenses	(475)	(2)	(477)	(1,761)	(2)	(1,763)
R&D costs	(610)	7	(603)	(2,378)	27	(2,351)
Operating income	555	5	560	1,004	25	1,029
Restructuring costs	(126)		(126)	(401)		(401)
Litigations	(3)		(3)	(20)		(20)
Gain/(loss) on disposal of consolidated entities & transaction costs	(70)		(70)	(105)		(105)
Impairment of assets	-		-	(193)		(193)
Post-retirement benefit plan amendment	405		405	404		404
Income from operating activities	761	5	766	689	25	714
Financial expense	(164)		(164)	(405)		(405)
Share in net income of equity affiliates	-		-	2		2
Income/(loss) tax benefit	17	(2)	15	16	(10)	6
Income (loss) from continuing operations	614	3	617	302	15	317
Income (loss) from discontinued activities	1		1	(16)		(16)
Net Income (loss)	615	3	618	286	15	301
of which : Equity owners of the parent	589	3	592	257	15	272
Non-controlling interests	26		26	29		29
Earnings per share : basic	0.21	0.00	0.21	0.09	0.01	0.10
Earnings per share : diluted	0.18	0.00	0.18	0.09	0.01	0.10

E/ADS calculated using the US Federal Reserve Bank of New York noon Euro/dollar buying rate of 1.0859 USD as of December 31, 2015.

RESTATEMENT OF 2015 - 2013 BREAKDOWN BY OPERATING SEGMENTS

In Euro Million

Revenues	2015	Q4'15	Q3'15	Q2'15	Q1'15	2014	Q4'14	Q3'14	Q2'14	Q1'14	2013
Core Networking	6,780	2,047	1,608	1,675	1,450	5,966	1,802	1,443	1,369	1,352	6,151
<i>IP Routing</i>	<i>2,669</i>	<i>778</i>	<i>649</i>	<i>659</i>	<i>583</i>	<i>2,368</i>	<i>664</i>	<i>594</i>	<i>561</i>	<i>549</i>	<i>2,253</i>
<i>IP Transport</i>	<i>2,450</i>	<i>772</i>	<i>556</i>	<i>630</i>	<i>492</i>	<i>2,114</i>	<i>649</i>	<i>527</i>	<i>484</i>	<i>454</i>	<i>2,120</i>
<i>IP Platforms</i>	<i>1,661</i>	<i>497</i>	<i>403</i>	<i>386</i>	<i>375</i>	<i>1,484</i>	<i>489</i>	<i>322</i>	<i>324</i>	<i>349</i>	<i>1,778</i>
Access	7,482	2,117	1,811	1,772	1,782	7,157	1,871	1,807	1,907	1,572	7,447
<i>Wireless Access</i>	<i>4,896</i>	<i>1,380</i>	<i>1,184</i>	<i>1,148</i>	<i>1,184</i>	<i>4,685</i>	<i>1,211</i>	<i>1,176</i>	<i>1,299</i>	<i>999</i>	<i>4,510</i>
<i>Fixed Access</i>	<i>2,268</i>	<i>666</i>	<i>548</i>	<i>548</i>	<i>506</i>	<i>2,048</i>	<i>549</i>	<i>518</i>	<i>521</i>	<i>460</i>	<i>2,069</i>
<i>Managed services</i>	<i>262</i>	<i>61</i>	<i>65</i>	<i>58</i>	<i>78</i>	<i>369</i>	<i>96</i>	<i>97</i>	<i>77</i>	<i>99</i>	<i>791</i>
<i>Licensing</i>	<i>56</i>	<i>10</i>	<i>14</i>	<i>18</i>	<i>14</i>	<i>55</i>	<i>15</i>	<i>16</i>	<i>10</i>	<i>14</i>	<i>77</i>
Other & Unallocated	13	(3)	10	3	3	55	9	4	3	39	215
Total group revenues	14,275	4,161	3,429	3,450	3,235	13,178	3,682	3,254	3,279	2,963	13,813
Adj. operating income (loss)											
Core Networking	678	333	151	153	41	630	288	123	123	96	479
<i>in % of revenues</i>	<i>10.0%</i>	<i>16.3%</i>	<i>9.4%</i>	<i>9.1%</i>	<i>2.8%</i>	<i>10.6%</i>	<i>16.0%</i>	<i>8.5%</i>	<i>9.0%</i>	<i>7.1%</i>	<i>7.8%</i>
Access	423	250	83	23	67	42	6	62	11	(37)	(85)
<i>in % of revenues</i>	<i>5.7%</i>	<i>11.8%</i>	<i>4.6%</i>	<i>1.3%</i>	<i>3.8%</i>	<i>0.6%</i>	<i>0.3%</i>	<i>3.4%</i>	<i>0.6%</i>	<i>-2.4%</i>	<i>-1.1%</i>
Other & Unallocated	(72)	(23)	(22)	(1)	(26)	(49)	(10)	(15)	2	(26)	(116)
Total	1,029	560	212	175	82	623	284	170	136	33	278
<i>in % of revenues</i>	<i>7.2%</i>	<i>13.5%</i>	<i>6.2%</i>	<i>5.1%</i>	<i>2.5%</i>	<i>4.7%</i>	<i>7.7%</i>	<i>5.2%</i>	<i>4.1%</i>	<i>1.1%</i>	<i>2.0%</i>
Segment Operating Cash Flow											
Core Networking	650	454	45	192	(42)	528	415	(38)	103	48	482
<i>in % of revenues</i>	<i>9.6%</i>	<i>22.2%</i>	<i>2.8%</i>	<i>11.5%</i>	<i>-2.9%</i>	<i>8.9%</i>	<i>23.0%</i>	<i>-2.6%</i>	<i>7.5%</i>	<i>3.6%</i>	<i>7.8%</i>
Access	627	515	41	129	(58)	48	154	(36)	(9)	(61)	(137)
<i>in % of revenues</i>	<i>8.4%</i>	<i>24.3%</i>	<i>2.3%</i>	<i>7.3%</i>	<i>-3.3%</i>	<i>0.7%</i>	<i>8.2%</i>	<i>-2.0%</i>	<i>-0.5%</i>	<i>-3.9%</i>	<i>-1.8%</i>
Other & Unallocated	(88)	(27)	(3)	(5)	(52)	(82)	(51)	13	2	(46)	(134)
Total	1,189	942	83	316	(152)	494	518	(61)	96	(59)	211
<i>in % of revenues</i>	<i>8.3%</i>	<i>22.6%</i>	<i>2.4%</i>	<i>9.2%</i>	<i>-4.7%</i>	<i>3.7%</i>	<i>14.1%</i>	<i>-1.9%</i>	<i>2.9%</i>	<i>-2.0%</i>	<i>1.5%</i>