LISTING PROSPECTUS **October 23, 2015**

NOKIA

Listing of a Maximum of 2 100 000 000 Shares

This listing prospectus (the "Listing Prospectus") has been prepared for the purpose of listing a maximum of 2 100 000 000 new shares (the "Offered Shares") in Nokia Oyj ("Nokia", "Nokia Corporation" or the "Company"), a public limited liability company organized under the laws of Finland, on NASDAQ OMX Helsinki Ltd ("Nasdaq Helsinki"). In addition, this Listing Prospectus will be used for admission to trading and official listing on Euronext Paris of all the Offered Shares and all of the existing issued and outstanding shares in Nokia, and in connection with a public exchange offer in France (the "French Offer", as described in more detail below), for which purposes this Listing Prospectus will be notified to the French stock market authority (*Autorité des marchés financiers*, or "AMF").

Nokia has agreed to make an offer to acquire Alcatel Lucent ("Alcatel Lucent"), a French société anonyme incorporated under the laws of France, (the "Acquisition") pursuant to the terms of a Memorandum of Understanding entered into on April 15, 2015 (as amended, the "Memorandum of Understanding"). Pursuant to the Memorandum of Understanding, the Acquisition will be carried out through a public exchange offer by Nokia comprised of two offers, a French public exchange offer and a U.S. public exchange offer (the "U.S. Offer" and, together with the French Offer, the "Exchange Offer"). The Company offers to acquire all of the issued and outstanding Alcatel Lucent ordinary shares (each an "Alcatel Lucent Share"), Alcatel Lucent American Depositary Shares, each representing one Alcatel Lucent Share (each an "Alcatel Lucent ADS"), Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on July 1, 2018 (each a "2018 OCEANE"), Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on January 30, 2019 (each a "2019 OCEANE") and Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on January 30, 2020 (each a "2020 OCEANE" and all 2020 OCEANEs together with all 2018 OCEANEs and all 2019 OCEANEs, the "OCEANEs", and the OCEANEs together with the Alcatel Lucent Shares and the Alcatel Lucent ADSs, the "Alcatel Lucent Securities"). The Company has filed on August 14, 2015 a draft registration statement on Form F-4 (the "Form F-4") with the U.S. Securities and Exchange Commission (the "SEC"), as the same may be amended from time to time, concerning the U.S. Offer, and will file a draft offer document with the AMF (the "French Offer Document") concerning the French Offer. For more information about the Exchange Offer, refer to sections "*The Alcatel Lucent Transaction*", "*The Memorandum of Understanding*" and "*The Exchange Offer*" of this Listing Prospectus.

The Alcatel Lucent Shares are listed on Euronext Paris, Alcatel Lucent ADSs are quoted on the New York Stock Exchange ("NYSE") and OCEANEs are traded on Euronext Paris. In the French Offer, the Company is offering 0.55 shares of Nokia (each a "Nokia Share") per Alcatel Lucent Share, and such number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer. In the U.S. Offer, the Company is offering 0.55 Nokia Shares per Alcatel Lucent Share; 0.55 Nokia American Depositary Shares (each a "Nokia ADS"), each representing one Nokia Share, per Alcatel Lucent ADS; and such number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer (with the consideration of the French Offer, the "Share Consideration"). The Share Consideration consists of up to 2 100 000 000 Offered Shares, which represent approximately 36 percent of the Company's outstanding shares and votes conferred by the Company's shares after the Completion of the Exchange Offer (as defined in the section "*Certain Information*"), assuming that the Exchange Offer is fully accepted.

Nokia Shares are listed on the official list of Nasdaq Helsinki. Nokia ADSs are quoted on the NYSE. Nokia has applied for the Nokia Shares (including the Offered Shares) to be listed on Euronext Paris (the "Admission") in conjunction with the Exchange Offer. Nokia expects to request that the Admission be approved to take effect prior to the completion of the Exchange Offer. In addition, Nokia will apply for listing of the Offered Shares and the Nokia ADSs to be issued in connection with the U.S. Offer on Nasdaq Helsinki and NYSE, respectively. If the Conditions (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*") to accept, and to exchange, any Alcatel Lucent Securities validly tendered into the Exchange Offer have been satisfied or, if applicable, waived, the Offered Shares and Nokia ADSs, which will be delivered to those holders of Alcatel Lucent Securities that have tendered their Alcatel Lucent Securities into the Exchange Offer, will be delivered approximately five French trading days following the announcement of the results of the French Offer by the AMF, in accordance with the applicable Finnish, French and U.S. rules and regulations.

Certain risks related to Nokia, Alcatel Lucent and the Exchange Offer are described in the section "Risk Factors" below beginning on page 39.

The purpose of this Listing Prospectus is to have the Offered Shares listed on Nasdaq Helsinki and to have all the Nokia Shares (including the Offered Shares) admitted to trading and official listing on Euronext Paris. No issue or offering of Offered Shares is made by Nokia solely in connection with the publication of this Listing Prospectus. The Offered Shares will comprise Nokia Shares to be issued in connection with the Exchange Offer and in any potential subsequent offers, squeeze-outs or share issues required to complete the Acquisition. No sale or offering of Nokia Shares or other securities in Nokia is made by the Company pursuant to or in connection with the publication of this Listing Prospectus. This Listing Prospectus does not concern the listing of the Nokia ADSs, and matters relating to the Nokia ADSs, including possible risks relating to the ADSs, are not exhaustively described in this Listing Prospectus.

This Listing Prospectus may not be distributed or otherwise made available, and the Offered Shares may not be offered or sold, directly or indirectly, in any jurisdiction outside Finland, unless such distribution, offer, sale or exercise would be permitted under applicable law in the relevant jurisdiction. The Offered Shares will be registered under the U.S. Securities Act of 1933, pursuant to the Form F-4.

LISTING AGENT

SOCIETE GENERALE
Corporate & Investment Banking

CERTAIN INFORMATION

This Listing Prospectus has been prepared in accordance with the Finnish Securities Market Act (746/2012, as amended), Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council concerning information contained in Prospectuses as well as the format, incorporation by reference and publication of such Prospectuses and dissemination of advertisements, Commission Delegated Regulation (EU) No 486/2012 (as amended) of 30 March 2012 amending Regulation (EC) No 809/2004 as regards the format and the content of the Prospectuses ("Commission Regulation"), the base Prospectuses, the summary and the final terms and as regards disclosure requirements (annexes I, II, III and XXII), Decree 1019/2012 of the Ministry of Finance on the Prospectus Referred to in Chapter 3-5 of the Securities Market Act, and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "FIN-FSA").

This Listing Prospectus also contains the summary referred to in Chapter 4 Section 6 Paragraph 4 of the Finnish Securities Market Act in the format required by the Commission Regulation. The summary is translated into Finnish and French languages. The FIN-FSA has approved this Listing Prospectus but is not liable for the correctness of the information presented herein. The journal number of the FIN-FSA's decision of approval is FIVA 85/02.05.04/2015. A certificate of approval of the Listing Prospectus, with a copy of the Listing Prospectus and the French language translation of its summary will be, in accordance with the Prospectus Directive, notified to the AMF to be used for admission to trading and official listing on Euronext Paris of all of the Offered Shares and all of the existing Nokia Shares, and in connection with the French Offer. The Company has also filed the Form F-4 with the U.S. Securities and Exchange Commission concerning the offering of the Offered Shares in the United States and will file the French Offer Document with the AMF concerning the French Offer. The information contained in the Form F-4 as of the date of this Listing Prospectus is preliminary and incomplete and the Form F-4 is subject to future amendments and changes before becoming effective.

In this Listing Prospectus, any reference to the "Company", "Nokia", "Nokia Corporation" or "Nokia Group" means Nokia Oyj and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Nokia Oyj or a particular subsidiary or business unit only, and except that references and matters relating to the shares and share capital of Nokia or matters of corporate governance shall refer to the shares, share capital and corporate governance of Nokia Oyj.

In this Listing Prospectus, any reference to "Alcatel Lucent", or "Alcatel Lucent Group" means Alcatel Lucent and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Alcatel Lucent or a particular subsidiary or business unit only, and except that references and matters relating to the shares and share capital of Alcatel Lucent or matters of corporate governance shall refer to the shares, share capital and corporate governance of Alcatel Lucent.

In this Listing Prospectus, Nokia together with Alcatel Lucent referred to as the "Combined Company" assumes that the Exchange Offer is successfully completed as contemplated in this Listing Prospectus.

In this Listing Prospectus, "Completion of the Exchange Offer", "Completion of the U.S. Offer", "Completion of the French Offer" or "Completion of the subsequent offering period" refer to settlement and delivery of the Nokia Shares to the holders of Alcatel Lucent Securities in accordance with the terms of the Exchange Offer and Conditions after the announcement of the successful results of the French Offer by the AMF (taking into account the results of the U.S. Offer) or the results of the subsequent offering period, as applicable.

In this Listing Prospectus, "Nokia Annual Report" refers to Nokia's annual report on Form 20-F for the fiscal year ended December 31, 2014 and "Nokia Interim Report" refers to Nokia's report on Form 6-K for the period ended June 30, 2015. In this Listing Prospectus, "Alcatel Lucent Annual Report" refers to Alcatel Lucent's annual report on Form 20-F for the year ended December 31, 2014 filed with the SEC on March 24, 2015 together with the additional information presented in Alcatel Lucent's reference document (*document de reference*) for the year ended December 31, 2014 filed with the AMF on March 20, 2015 under No. D. 15-0179, and "Alcatel Lucent Interim Report" refers to Alcatel Lucent's report on Form 6-K for the period ended June 30, 2015, furnished with the SEC on August 5, 2015.

The historical financial information of Nokia and Alcatel Lucent do not take into account the effects of the Acquisition. The pro forma financial information illustrating the effect of the Acquisition has been presented in the section "*Unaudited Pro Forma Condensed Combined Financial Information*".

Shareholders and prospective investors should rely solely on the information contained in the Listing Prospectus or incorporated by reference herein as well as on the Form F-4, the French Offer Document and the stock exchange releases published by Nokia. Nobody has been authorized to provide any information or give any statements other than those provided in this Listing Prospectus, the Form F-4 and the French Offer Document. Delivery of the Listing Prospectus shall not, under any circumstances, indicate that the information presented in the Listing Prospectus is correct on any day other than the date of the Listing Prospectus, or that there would not be any changes in the business of Nokia or Alcatel Lucent after the date of the Listing Prospectus. However, if new information or a fault or omission in this Listing Prospectus is discovered before the Admission of the Offered Shares for listing on Nasdaq Helsinki and such fault or omission or new information may be of material importance to investors, the Listing Prospectus shall be supplemented in accordance with the Finnish Securities Market Act. Information given in the Listing Prospectus is not a guarantee or grant for future events by Nokia, Alcatel Lucent or the Combined Company and shall not be considered as such.

Neither the Listing Prospectus nor any announcement or any offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. In a number of countries, in particular in Australia, Canada, Hong Kong, Japan, South Africa and, subject to certain exceptions, the United States, the distribution of the Listing Prospectus is subject to restrictions imposed by law (such as registration, admission, qualification and other regulations). Nokia does not accept any legal responsibility for persons who have obtained the Listing Prospectus in violation of these restrictions. The Listing Prospectus does not constitute an offer to sell the Offered Shares to any person in any jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy the Offered Shares from a person in a jurisdiction in which it is unlawful to make such solicitation.

Shareholders or prospective investors must not construe the contents of this Listing Prospectus as legal, investment or tax advice. Each shareholder or prospective investor should consult their own counsel, accountant or business advisor as to legal, investment and tax advice and related matters pertaining to any investment in Nokia's securities, if they deem it necessary.

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ANNEXES

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention "not applicable".

All statements in this section regarding the competitive position of Nokia or the Combined Company are based on the view of Nokia's management unless otherwise explicitly stated.

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Section A — Introduction and warnings		
A.1	**Warning**	This summary should be read as an introduction to the Listing Prospectus. Any decision to invest in the securities should be based on consideration of the Listing Prospectus as a whole by the investor. Where a claim relating to the information contained in the Listing Prospectus is brought before a court, the plaintiff investor might, under applicable law, have to bear the costs of translating the Listing Prospectus before legal proceedings are initiated. Nokia assumes civil liability in respect of this summary only if it is misleading, inaccurate or inconsistent when read together with the other parts of the Listing Prospectus, or if it does not provide, when read together with the other parts of the Listing Prospectus, key information in order to aid investors when considering whether to invest in the securities issued by Nokia.
A.2	**Information to be provided regarding consent by the issuer or person responsible for drawing up the Listing Prospectus for the use of intermediary financial organizations**	Not applicable.

Section B — Issuer		
B.1	**Legal and commercial name**	**Nokia** The legal and commercial name of the Company is Nokia Oyj. Parallel legal and commercial names of the Company are, in English, Nokia Corporation, and, in Swedish, Nokia Abp. **Alcatel Lucent** The legal name of Alcatel Lucent is Alcatel Lucent. The commercial name of Alcatel Lucent is Alcatel-Lucent.
B.2	**Domicile/ Legal form/ Legislation/ Country of incorporation**	**Nokia** The domicile of Nokia is Helsinki, Finland. Nokia is a public limited liability company incorporated in Finland and operating under Finnish law. **Alcatel Lucent** Alcatel Lucent is a French société anonyme, established in 1898, originally as a listed company named Compagnie Générale d'Électricité. Alcatel Lucent is registered at the Nanterre Trade and Companies Registry under number 542 019 096. Alcatel Lucent is subject to all laws governing business corporations in France, specifically the provisions of the commercial code and the financial and monetary code. Alcatel Lucent's principal office is located at 148/152 Route de la Reine 92100 Boulogne-Billancourt, France.
B.3	**Current operations and principal activities**	**Nokia** Nokia is currently focused on three business areas: network infrastructure software, hardware and services, which is offered through Nokia Networks; mapping and location intelligence, which is provided through HERE; and advanced technology development and licensing, which is pursued through Nokia Technologies. Through its three businesses, Nokia has a global presence with operations and research and development facilities in Europe, North America and Asia, sales in approximately 140 countries, and employs approximately 64 000 people. Nokia is also a major investor in research and development ("R&D"), with expenditure through its three businesses exceeding EUR 2.5 billion in 2014. *Nokia Networks* is a leading vendor in the mobile infrastructure market, providing a broad range of different products, from the hardware components of networks used by network operators to software solutions supporting the efficient operation of networks, as well as services to plan, optimize, implement, run and upgrade mobile operators' networks. *HERE* is a leading provider of maps and location experiences across multiple screens and operating systems and is focused on producing the most accurate and fresh map content, available across multiple devices and operating systems. *Nokia Technologies* develops and licenses cutting-edge innovations that are powering the next revolution in computing and mobility. Nokia Technologies is a leading innovator of the core technologies enabling the Programmable World[1], where everything and everyone will be connected. Nokia Technologies is expanding Nokia's successful patent licensing program and licensing proprietary technologies to enable its customers to build better products.

[1] Nokia's vision of the future; a world where connectivity will expand massively, linking people as well as hundreds of billions of physical objects—from cars, home appliances and smartphones, to wearables, industrial equipment and health monitors. What distinguishes the Programmable World from the Internet of Things is the intelligence that is added to data to allow people to interpret and use it, rather than just capture it.

		On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG (the "HERE transaction"). The transaction is expected to close in the first quarter of 2016, subject to customary closing conditions and regulatory approvals. Upon closing of the HERE transaction, which does not affect the exchange ratio of the Exchange Offer, and assuming that the Exchange Offer has not yet been completed, Nokia will consist of two businesses: Nokia Networks and Nokia Technologies. It is currently expected that after the Exchange Offer, Nokia Networks' business would be conducted through four business groups: Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. These business groups would provide an end-to-end portfolio of products, software and services to enable the Combined Company to deliver the next generation of leading networks solutions and services to customers. Alongside these, Nokia Technologies would continue to operate as a separate business group. Each business group would have strategic, operational and financial responsibility for its portfolio and would be fully accountable for meeting its targets. The four Networks business groups would have a common Integration and Transformation Office to drive synergies and to lead integration activities. The business group leaders would report directly to Nokia's President and Chief Executive Officer: • Mobile Networks (MN) would include Nokia's and Alcatel Lucent's comprehensive Radio portfolios and most of their converged Core network portfolios including IMS/VoLTE and Subscriber Data Management, as well as the associated mobile networks-related Global Services business. This unit would also include Alcatel Lucent's Microwave business and all of the Combined Company's end-to-end Managed Services business. Through the combination of these assets, Mobile Networks would provide leading end-to-end mobile networks solutions for existing and new platforms, as well as a full suite of professional services and product-attached services; • Fixed Networks (FN) would comprise the current Alcatel Lucent Fixed Networks business, whose cutting-edge innovation and market position would be further supported through strong collaboration with the other business groups. This business group would provide copper and fiber access products and services to offer customers ultra-broadband end-to-end solutions to transform their networks, deploying fiber to the most economical point; • Applications & Analytics (A&A) would combine the Software and Data Analytics related operations of both companies. This comprehensive applications portfolio would include Customer Experience Management, OSS as distinct from network management such as service fulfilment and assurance, Policy and Charging, services, Cloud Stacks, management and orchestration, communication and collaboration, Security Solutions, network intelligence and analytics, device management and Internet of Things connectivity management platforms. CloudBand would also be housed in this business group, which would drive innovation to meet the needs of a convergent, Cloud-centric future; • IP/Optical Networks (ION) would combine the current Alcatel Lucent IP Routing, Optical Transport and IP video businesses, as well as the software defined networking (SDN) start-up, Nuage, plus Nokia's IP partner and Packet Core portfolio. This business group would continue to drive Alcatel Lucent's technology leadership, building large scale IP/Optical infrastructures for both service providers and, increasingly, web-scale and tech centric enterprise customers;

		• Nokia Technologies (TECH) would remain as a separate entity with a clear focus on licensing and the incubation of new technologies. Nokia Technologies would continue to have its own innovation, product development and go-to-market operations. Nokia expects to align its financial reporting under two key areas: Nokia Technologies and the Networks business. The Networks business would comprise the business groups of Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. Nokia also expects to provide selective financial data separately for each of the four Networks business groups to ensure transparency for investors over the performance of each of them. **Alcatel Lucent** Alcatel Lucent currently has two operating segments: Core Networking and Access. Until March 2014, Alcatel Lucent had a third operating segment: Other. The Core Networking segment includes three business divisions: IP Routing, IP Transport and IP Platforms. The IP Routing division is focused on delivering IP routing infrastructure and the main product families within the IP routing portfolio are: Internet Protocol/Multiprotocol Label Switching (or IP/MPLS) core and edge routers, Carrier Ethernet access and aggregation switch/routers, Service Aggregation Routers, Service Aware Management, Content Delivery Networks (CDN) and Software Defined Networking (SDN). The IP Transport division's products include terrestrial optical products, undersea telecommunications cable networks and microwave radio products. The IP Platforms portfolio provides systems hardware, software platforms and applications that help communications service providers, extra large enterprises and webscale companies deliver advanced IP communications, optimize their networks and operations, improve the customer experience and monetize new services. The Access segment includes four business divisions: Wireless, Fixed Access, Licensing and Managed Services. The primary activities of the Wireless division focus on delivering 4G/LTE overlay solutions, 3G/4G and multi-standard small cell solutions along with related professional services. Alcatel Lucent's wireless access portfolio also includes 2G/3G wireless products and related professional services as well as Alcatel Lucent's Radio Frequency Systems (RFS) portfolio. Alcatel Lucent's Fixed Access division designs and develops fixed access products that allow service providers to offer Ultra-Broadband connectivity over digital subscriber lines (DSL) and fiber connections. The Licensing division actively pursues a strategy of licensing patents to generate revenues. Alcatel Lucent's Managed Services division delivers innovative solutions for both the carrier and strategic industries markets. Until 2014, the Other segment included the government business, which built and delivered complete turnkey solutions in support of U.S. federal government agencies in the U.S. On March 31, 2014, Alcatel Lucent completed the disposal of LGS Innovations LLC, which was the entity providing said solutions. Alcatel Lucent has one of the broadest portfolios of product and services offerings in the telecommunications equipment and related services market, both for the carrier and non-carrier markets. Alcatel Lucent operates in a large number of countries and sells substantially all of its products and services to the world's largest telecommunications service providers.
B.4a	**Most significant recent trends**	**Overall Telecoms Equipment Market** In recent years, the most important trends affecting the telecoms equipment market have been the increase in the use of data services and the resulting exponential increase in traffic, which has led to an increased need for high performance, quality and reliability in networks. The continuing data traffic increase has forced operators into a transformation of their business model from a voice centric to a data centric business model. As a result, operators have experienced flatter revenue as well as margin pressure and there is an increased need for operators to adapt to new

technologies and increase efficiency amongst both operators and network infrastructure and services vendors. In addition to the attempts to reduce their costs, the operators want to increase their agility through the adoption of the emerging Telco Cloud[2] and network virtualization technologies. Operators' need to find their place in the new ecosystem has triggered a consolidation wave driven by the need to gain scale and provide a wider spectrum of services, especially fixed mobile convergence services.

Nokia's and Alcatel Lucent's sales are affected by seasonality in the network operators' spending cycles, with generally higher sales in the fourth quarter, as compared to the first quarter of the following year. In addition to normal industry seasonality, there are normal peaks and troughs in the deployment of large infrastructure projects.

HERE

In general, there is a trend of more connected things which provides opportunities for location-based intelligence to serve as a key dimension in this development. Additionally, as the automotive industry is a significant contributor to HERE's sales, the broader economy and its influence on new car sales are an important factor in HERE's future success. The adoption rate of in-car navigation products and services is important as well.

Technologies / Licensing

In general, there has been increased focus on intellectual property rights ("IPR") protection and licensing, and this trend is expected to continue. As such, new agreements are generally a product of lengthy negotiations and potential litigation or arbitration, and therefore the timing and outcome may be difficult to forecast. Due to the structure of the patent license agreements, the payments may be very infrequent, at times retrospective in part and the 1engths of license agreements can vary. Additionally, there are clear regional differences in the ease of protecting and licensing patented innovations.

B.5 **Group**

Nokia

Nokia is the parent company of the Nokia Group. Nokia's significant subsidiaries at June 30, 2015 were:

Company name	Country of incorporation and place of business	Group ownership interest %
Nokia Solutions and Networks B.V.	The Hague, Netherlands	100.0
Nokia Solutions and Networks Oy	Helsinki, Finland	100.0
Nokia Solutions and Networks US LLC	Delaware, USA	100.0
Nokia Solutions and Networks Japan Corp.	Tokyo, Japan	100.0
Nokia Solutions and Networks India Private Limited	New Delhi, India	100.0
Nokia Solutions and Networks System Technology (Beijing) Co., Ltd.	Beijing, China	100.0
Nokia Solutions and Networks Branch Operations Oy	Helsinki, Finland	100.0
Nokia Solutions and Networks Korea Ltd.	Seoul, South Korea	100.0
Nokia Solutions and Networks Taiwan Co. Ltd	Taipei, Taiwan	100.0
Nokia Solutions and Networks Technology Service Co., Ltd.	Beijing, China	100.0
HERE Holding Corporation	Delaware, USA	100.0
HERE Global B.V.	Veldhoven, Netherlands	100.0
HERE Europe B.V.	Veldhoven, Netherlands	100.0
HERE North America LLC	Delaware, USA	100.0
HERE Deutschland GmbH	Berlin, Germany	100.0
Nokia Finance International B.V.	Haarlem, Netherlands	100.0

[2] Applying cloud computing, SDN (Software Defined Networking) and NFV (Network Functions Virtualization) principles in telecommunications environment, e.g. separating application software from underlying hardware with automated, programmable interfaces while still retaining telecommunications requirements such as high availability and low latency.

		Nokia Technologies Oy	Helsinki, Finland	100.0

Alcatel Lucent

Alcatel Lucent is the parent company of the Alcatel Lucent Group. Alcatel Lucent's significant subsidiaries at June 30, 2015 were:

Company name	Country of incorporation and place of business	Group ownership interest %
Alcatel-Lucent Australia Limited	Australia	100.0
Alcatel-Lucent Austria AG	Austria	100.0
Alcatel-Lucent Bell NV	Belgium	100.0
Alcatel-Lucent Brasil S/A	Brazil	100.0
Alcatel-Lucent Canada Inc.	Canada	100.0
Alcatel-Lucent Deutschland AG	Germany	100.0
Alcatel-Lucent España S.A.	Spain	100.0
Alcatel-Lucent India Limited	India	100.0
Alcatel-Lucent International	France	100.0
Alcatel-Lucent Italia S.p.A.	Italy	100.0
Alcatel-Lucent Mexico S.A. de C.V.	Mexico	100.0
Alcatel-Lucent Nederland B.V.	The Netherlands	100.0
Alcatel-Lucent Polska Sp Z.o.o.	Poland	100.0
Alcatel-Lucent Portugal, S.A.	Portugal	100.0
Alcatel-Lucent Schweiz AG	Switzerland	100.0
Alcatel-Lucent Shanghai Bell Co., Ltd[1]	China	50.0
Alcatel-Lucent Submarine Networks	France	100.0
Alcatel-Lucent Telecom Limited	U.K.	100.0
Alcatel-Lucent USA Inc.	U.S.A,	100.0
Alcatel-Lucent Holdings Inc.	U.S.A.	100.0
Alcatel-Lucent Participations	France	100.0
Alda Marine	France	100.0
Coralec	France	100.0
Florelec	France	100.0
Electro Banque	France	100.0
Electro Ré	Luxembourg	100.0

[1] Entity fully controlled by the Alcatel Lucent Group holding 50% plus one share.

B.6 **Major shareholders**

Nokia

The following table presents the 10 largest shareholders of Nokia that are registered in Finland and appear on Nokia's shareholder register maintained by Euroclear Finland Ltd. and their share of voting rights as at October 20, 2015.

Shareholder	Number of shares	% of the total number of shares	% of voting rights[1]
1. Varma Mutual Pension Insurance Company	80 722 106	2.19	2.23
2. Ilmarinen Mutual Pension Insurance Company	28 893 982	0.79	0.80
3. The State Pension Fund	25 600 000	0.70	0.71
4. Schweizerische Nationalbank	24 132 730	0.66	0.67
5. Elo Mutual Pension Insurance Company	15 200 000	0.41	0.42
6. Svenska Litteratursällskapet i Finland rf	14 312 880	0.39	0.39
7. Nordea Bank Finland Plc	11 536 309	0.31	0.31
8. Folketrygdfondet	11 352 542	0.31	0.31
9. Nordea Suomi Fund	10 854 000	0.30	0.30
10. Keva (Local Government Pensions Institution)	10 004 071	0.27	0.28
Treasury shares	53 232 002	1.45	0.00
Others	3 392 801 269	92.23	93.58
Total	**3 678 641 891**	**100**	**100**

[1] Treasury shares are not included in calculating voting rights.

Pursuant to the notification of Nokia under Chapter 9, Section 10 of the Finnish Securities Market Act on October 24, 2014, the holdings of BlackRock, Inc. in Nokia, through its controlled undertakings, comprising of both shares and convertible bonds issued by Nokia, amounted to a total of 187 784 314 shares, which at that time corresponded to approximately 5.01% of the total number of shares and voting rights of Nokia. To Nokia's knowledge, no other shareholder holds more than 5% of the share capital or voting rights of Nokia.

Nokia is not aware of any shareholder having a controlling interest, as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act, in the Company. Each share entitles the holder to one vote at a General Meeting of Shareholders of Nokia.

Alcatel Lucent

Breakdown of capital and voting rights in Alcatel Lucent as at June 30, 2015 is represented in the following table.

	Capital on the basis of outstanding shares at June 30, 2015			THEORETICAL voting rights on the basis of outstanding shares at June 30, 2015[2]		Voting rights EXERCISABLE AT GENERAL MEETING OF SHAREHOLDERS on the basis of outstanding shares at June 30, 2015[3]	
Share-holders	**Number of shares**	**% of capital**	**Double voting rights**	**Total number of votes**	**% of votes**	**Total number of votes**	**% of votes**
The Capital Group Companies, Inc.	281,970,300	9.95%	-	281,970,300	9.81%	281,970,300	9.95%
Odey Asset Manage-ment, LLP	139,392,500	4.92%	-	139,392,500	4.85%	139,392,500	4.92%
BlackRock Inc.	114,609,500	4.04%	-	114,609,500	3.99%	114,609,500	4.04%
Caisse des Dépôts et Consigna-tions[1]	101,498,600	3.58%	8,243,622	109,742,222	3.82%	109,742,222	3.87%
DNCA	85,074,900	3.00%	-	85,074,900	2.96%	85,074,900	3.00%
Aviva Plc	56,354,800	1.99%	-	56,354,800	1.96%	56,354,800	1.99%
Amundi	42,737,400	1.51%	-	42,737,400	1.49%	42,737,400	1.51%
FCP 2AL	32,778,404	1.16%	32,708,499	65,486,903	2.28%	65,486,903	2.31%
Other institutional investors in France[4]	1,129,716,700	39.86%	-	1,129,716,700	39.29%	1,129,716,700	39.84%
Treasury stock held by Alcatel Lucent[5]	27,110,113	0.96%	-	27,110,113	0.94%	-	-
Treasury stock held by subsidia-ries[5]	13,006,408	0.46%	-	13,006,408	0.45%	-	-
Public	810,210,667	28.58%	-	810,210,667	28.18%	810,210,667	28.58%
Total	2,834,460,292	100%	40,952,121	2,875,412,413	100%	2,835,295,892	100%

[1] Including the shares held by BPI Participations France.
[2] The theoretical voting rights include the shares held by Alcatel Lucent and its subsidiaries which do not have voting rights.
[3] The voting rights exercisable at General Meeting of Shareholders do not include shares which have no voting rights.
[4] Other institutional investors in France holding, individually, more than 0.50% of the share capital.
[5] These shares do not have voting rights pursuant to French applicable law, while held as treasury stock.

Pursuant to the notification of Alcatel Lucent and the AMF under Article L. 233-7 of the French Commercial Code:

- Odey Asset Management LLP, acting on behalf of funds it manages, declared that it crossed downward, on July 2, 2015, the 5% thresholds of the share capital and voting rights of Alcatel Lucent, and that it held, at that date, 139,392,474 Alcatel Lucent Shares representing 4.92% of the share capital and 4.84% of the voting rights of Alcatel Lucent;
- The Capital Group Companies, Inc. declared that it crossed downward, on July 8, 2015, the 10% threshold of the voting rights of Alcatel Lucent, and that it held,

at that date, 285,687,380 Alcatel Lucent Shares representing 10.08% of the share capital and 9.92% of the voting rights of Alcatel Lucent;

- The Capital Group Companies, Inc. declared that it crossed downward, on July 9, 2015, the 10% threshold of the share capital of Alcatel Lucent, and that it held, at that date, 281,970,368 Alcatel Lucent Shares representing 9.95% of the share capital and 9.79% of the voting rights of Alcatel Lucent.

B.7	**Selected historical key financial information**	**Nokia**

The following tables set forth selected consolidated financial information for Nokia. This information is qualified by reference to, and should be read in conjunction with, Nokia's consolidated financial statements and the notes thereto for the years ended December 31, 2014, 2013 and 2012 and the unaudited interim report for the six months ended on June 30, 2015, all of which are incorporated by reference into this Listing Prospectus. The selected consolidated historical income statement and statement of cash flow data for the years ended December 31, 2014, 2013 and 2012 and the consolidated statement of financial position data as of December 31, 2014, 2013 and 2012 have been derived from Nokia's audited consolidated financial statements for the respective years, prepared in accordance with the International Financial Reporting Standards ("IFRS"). The selected consolidated historical income statement and statement of cash flow data for the six month periods ended June 30, 2015 and 2014 and the consolidated statement of financial position as of June 30, 2015 have been derived from Nokia's unaudited interim report for the six months ended on June 30, 2015 prepared in accordance with IFRS.

In September 2013, Nokia announced the sale of substantially all of its Devices & Services Business to Microsoft. Subsequent to the approval for the sale received in the Extraordinary General Meeting in November 2013, Nokia Group has presented Devices & Services Business as discontinued operations. The sale was completed on April 25, 2014. In the consolidated income statement for the year 2013 the financial results of the Devices & Services Business were reported as discontinued operations separately from the continuing operations. The income statement information for the year 2012 were restated accordingly. As of January 1, 2013 Nokia adopted new revised IAS 19 Employee Benefits standard. As a result, the net pension liabilities and other comprehensive income were impacted mainly by the retrospectively applied elimination of the 'corridor' approach and financial information for the year 2012 were adjusted accordingly. Thus, the restated information for the year 2012 presented in the following tables is unaudited.

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. HERE has been reported as part of Nokia's continuing operations in the consolidated financial information for the financial years ended December 31, 2014, 2013 and 2012 and for the six months ended June 30, 2015.

	Year ended December 31,			**Six months ended June 30,**	
	2014	**2013**	**2012**	**2015**	**2014**
	(audited)	**(audited)**	**(unaudi-ted)**	**(unaudited)**	
CONSOLIDATED INCOME STATEMENT	*(in EUR million, except for shares outstanding and earnings per share)*			*(in EUR million, except for shares outstanding and earnings per share)*	
Net Sales	**12 732**	**12 709**	**15 400**	**6 405**	**5 606**
Cost of Sales	(7 094)	(7 364)	(9 841)	(3 512)	(3 099)
Gross profit	**5 638**	**5 345**	**5 559**	**2 892**	**2 506**
Research and development expenses	(2 493)	(2 619)	(3 081)	(1 354)	(1 169)

Selling, general and administrative expenses	(1 634)	(1 671)	(2 062)	(875)	(766)
Impairment of goodwill	(1 209)	-	-	0	0
Other income and expenses	(131) [1]	(536) [2]	(1237) [3]	81	(45)
Operating profit/(loss)	**170**	**519**	**(821)**	**745**	**526**
Share of results of associated companies	(12)	4	(1)	14	(6)
Financial income and expenses	(395)	(280)	(357)	(49)	(335)
Profit/(loss) before tax	**(237)**	**243**	**(1 179)**	**710**	**185**
Income tax (expense)/benefit	1 408	(202)	(304)	(177)	(102)
Profit/(loss) from continuing operations	**1 171**	**41**	**(1 483)**	**533**	**84**
Attributable to:					
Equity holders of the parent	1 163	186	(771)	531	80
Non-controlling interests	8	(145)	(712)	2	4
(Loss)/profit from discontinued operations	**2 305**	**(780)**	**(2 303)**	**(7)**	**2 198**
Attributable to:					
Equity holders of the parent	2 299	(801)	(2 334)	(7)	2 192
Non-controlling interests	6	21	31	0	6
Profit/(loss)	**3 476**	**(739)**	**(3 786)**	**526**	**2 282**
Attributable to:					
Equity holders of the parent	3 462	(615)	(3 105)	524	2 272
Non-controlling interests	14	(124)	(681)	2	10
Earnings per share					
Basic earnings per share (in EUR)					
Continuing operations	0.31	0.05	(0.21)	0.15	0.02
Discontinued operations	0.62	(0.22)	(0.63)	0.00	0.59
Profit/(loss)	0.94	(0.17)	(0.84)	0.14	0.61
Diluted earnings per share (in EUR)					
Continuing operations	0.30	0.05	(0.21)	0.14	0.02
Discontinued operations	0.56	(0.22)	(0.63)	0.00	0.52
Profit/(loss)	0.85	(0.17)	(0.84)	0.14	0.54
Average number of shares (' 000 shares)					
Basic					
Continuing operations	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Discontinued operations	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Profit/(loss)	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Diluted					
Continuing operations	4 131 602	3 733 364	3 710 845	3 952 185	3 732 608
Discontinued operations	4 131 602	3 712 079	3 710 845	3 952 185	4 254 600
Profit/(loss)	4 131 602	3 712 079	3 710 845	3 952 185	4 254 600

[1] Consist of "Other income" of EUR 136 million and "Other expenses" of EUR (268) million.
[2] Consist of "Other income" of EUR 272 million and "Other expenses" of EUR (808) million.
[3] Consist of "Other income" of EUR 276 million and "Other expenses" of EUR (1 513) million.

	Year ended December 31,			**Six months ended June 30,**	
	2014	**2013**	**2012**	**2015**	**2014**
	(audited)	**(audited)**	**(unaudi-ted)**	**(unaudited)**	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	*(in EUR million)*			*(in EUR million)*	
Profit/(loss)	**3 476**	**(739)**	**(3 786)**	**526**	**2 282**
Other comprehensive income/(expense)					
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit plans	(275)	83	(228)	104	(130)

Income tax related to items that will not be reclassified to profit or loss	96	(3)	22	(29)	(14)
Items that may be reclassified subsequently to profit or loss:					
Translation differences	820	(496)	41	427	178
Net investment hedges	(167)	114	(58)	(161)	(3)
Cash flow hedges	(30)	3	(41)	3	(41)
Available-for-sale investments	106	49	35	71	4
Other increase, net	40	5	10	2	40
Income tax related to items that may be reclassified subsequently to profit or loss	16	1	12	31	(37)
Other comprehensive income/(expense), net of tax	**606**	**(244)**	**(207)**	**448**	**(3)**
Total comprehensive income	**4 082**	**(983)**	**(3 993)**	**974**	**2 279**
Attributable to:					
Equity holders of the parent	4 061	(863)	(3 281)	968	2 273
Non-controlling interests	21	(120)	(712)	6	6
	4 082	**(983)**	**(3 993)**	**974**	**2 279**
Attributable to equity holders of the parent:					
Continuing operations	1 563	34	(831)	975	(120)
Discontinued operations	2 498	(897)	(2 450)	(7)	2 393
	4 061	(863)	(3 281)	968	2 273
Attributable to non-controlling interests:					
Continuing operations	16	(139)	(740)	6	3
Discontinued operations	5	19	28	0	3
	21	**(120)**	**(712)**	**6**	**6**

	As of December 31,			**As of June 30,**
	2014 (audited)	**2013 (audited)**	**2012 (unaudited)**	**2015 (unaudited)**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		*(in EUR million)*		*(in EUR million)*
ASSETS				
Goodwill	2 563	3 295	4 876	2 783
Other intangible assets	350	296	647	341
Property, plant and equipment	716	566	1 431	786
Investments in associated companies	51	65	58	69
Available-for-sale investments	828	741	689	1 018
Deferred tax assets	2 720	890	1 279	2 721
Long-term loans receivable	34	96	125	48
Prepaid pension costs[1]	30	38	152	29
Other non-current assets[1]	47	61	66	43
Non-current assets	**7 339**	**6 048**	**9 323**	**7 837**
Inventories	1 275	804	1 538	1 368
Accounts receivable, net of allowances for doubtful accounts	3 430	2 901	5 551	3 602
Prepaid expenses and accrued income	913	660	2 682	944
Current income tax assets	124	146	495	200
Current portion of long-term loans receivable	1	29	35	2
Other financial assets	266	285	451	121
Investments at fair value through profit and loss, liquid assets	418	382	415	570
Available-for-sale investments, liquid assets	2 127	956	542	2 065
Cash and cash equivalents[2]	5 170	7 633	8 952	3 983
Current assets	**13 724**	**13 796**	**20 661**	**12 855**
Assets held for sale	-	89	-	0

Assets of disposal groups classified as held for sale	-	5 258	-	-
Total assets	**21 063**	**25 191**	**29 984**	**20 693**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the parent				
Share capital	246	246	246	246
Share issue premium	439	615	446	401
Treasury shares at cost	(988)	(603)	(629)	(731)
Translation differences	1 099	434	746	1 395
Fair value and other reserves	22	80	(5)	168
Reserve for invested non-restricted equity	3 083	3 115	3 136	3 081
Retained earnings	4 710	2 581	3 997	4 359
Capital and reserves attributable to equity holders of the parent	8 611	6 468	7 937	8 919
Non-controlling interests	58	192	1 302	59
Total equity	**8 669**	**6 660**	**9 239**	**8 979**
Long-term interest-bearing liabilities	2 576	3 286	5 087	2 685
Deferred tax liabilities	32	195	701	75
Deferred revenue and other long-term liabilities	2 197	630	997	2 001
Provisions	301	242	304	259
Non-current liabilities	5 106	4 353	7 089	5 019
Current portion of long-term interest-bearing liabilities	1	3 192	201	1
Short-term borrowings	115	184	261	102
Other financial liabilities	174	35	90	122
Current income tax liabilities	481	484	499	484
Accounts payable	2 313	1 842	4 394	1 919
Accrued expenses, deferred revenue and other liabilities	3 632	3 033	6 223	3 560
Provisions	572	680	1 988	507
Current liabilities	7 288	9 450	13 656	6 695
Liabilities of disposal groups classified as held for sale	0	4 728	-	0
Total shareholders' equity and liabilities	**21 063**	**25 191**	**29 984**	**20 693**

[1] Prepaid pension costs previously reported under "Other non-current assets" are reported separately starting from June 30, 2015. The information for prior periods presented has been adjusted accordingly.
[2] As of June 30, 2015, "Bank and cash" and "Available for sale investments, cash equivalents" are reported as a single line item "Cash and cash equivalents". The information for prior periods presented has been adjusted accordingly.

	Year ended December 31,			**Six months ended June 30,**	
	2014	**2013**	**2012**	**2015**	**2014**
		(audited)		**(unaudited)**	
CONSOLIDATED STATEMENT OF CASH FLOWS		*(in EUR million)*		*(in EUR million)*	
Net cash from/(used in) operating activities	1 275	72	(354)	(457)	652
Net cash from/(used in) investing activities	886	(691)	562	(244)	1 171
Net cash used in financing activities	(4 576)	(477)	(465)	(522)	(2 786)
Foreign exchange adjustment	(48)	(223)	(27)	36	(59)
Net increase/decrease in cash and equivalents	(2 463)	(1 319)	(284)	(1 187)	(1 022)

Cash and cash equivalents at beginning of period	7 633	8 952	9 236	5 170	7 633
Cash and cash equivalents at end of period	5 170	7 633	8 952	3 983	6 611

Key Ratios

	Year ended December 31,			Six months ended June 30,	
	2014	2013	2012	2015	2014
		(unaudited)		(unaudited)	
Key ratios at December 31, Continuing operations					
Earnings per share for profit attributable to equity holders of parent					
Earnings per share, basic, EUR	0.31[1]	0.05[1]	(0.21)	0.15	0.02
Earnings per share, diluted, EUR	0.30[1]	0.05[1]	(0.21)	0.14	0.02
P/E ratio, basic	21.16	116.00	neg.	40.60	276.50
Dividend per share, EUR	0.14	0.37	0	N/A	N/A
Total dividends paid, EURm	511	1 374	0	N/A	N/A
Payout ratio, basic	0.45	7.40	0	N/A	N/A
Dividend yield, %	2.13	6.36	0	N/A	N/A
Shareholders' equity per share, EURm	2.36	1.74	2.14	2.46	1.96
Market capitalization, EURm	23 932	21 606	10 873	22 070	20 539

[1] Earnings per share (basic and diluted) for the years ended December 31, 2014 and 2013 are audited.

In November 2011, Nokia Networks announced its strategy to focus on mobile broadband and services. It also announced an extensive global restructuring program that ultimately resulted in the reduction of its annualized operating expenses and production overhead by over EUR 1.5 billion when the program was completed at the end of 2013. As part of its strategy of focusing on mobile broadband, Nokia Networks also divested a number of non-core businesses.

Beginning in 2013, Nokia undertook a series of transactions to transform its business portfolio. On July 1, 2013, Nokia announced the agreement to acquire Siemens' 50% stake in the companies' joint venture Nokia Siemens Networks. The purchase price was EUR 1.7 billion and the transaction closed on August 7, 2013. On September 3, 2013, Nokia announced that it had signed an agreement to sell its Devices & Services Business to Microsoft for a total purchase price of EUR 5.44 billion, of which EUR 3.79 billion related to the Sale of the Devices & Services Business and EUR 1.65 billion related to a mutual patent license agreement. In conjunction with the transaction, Nokia established the Nokia Technologies business to focus on technology development and intellectual property rights activities. The transaction significantly strengthened the Company's financial position and subsequent to the transaction, in 2014, Nokia started the optimization of its capital structure and recommenced dividend payments, distributed excess capital to shareholders and reduced its interest-bearing debt.

On April 15, 2015, Nokia continued its transformation with the announcement that it had signed an agreement to acquire Alcatel Lucent through the Exchange Offer on the basis of 0.55 Nokia Shares for each Alcatel Lucent Share. In conjunction with this announcement, Nokia announced that it has suspended its capital structure optimization program effective immediately. On August 3, 2015, Nokia announced an agreement to sell HERE to an automotive industry consortium and estimates that it will receive net proceeds of slightly above EUR 2.5 billion.

Alcatel Lucent

The following tables set out selected consolidated financial information for Alcatel Lucent. This information is qualified by reference to, and should be read in conjunction with, Alcatel Lucent's consolidated financial statements and the notes thereto for the years ended December 31, 2014 and the unaudited interim report for the six months ended on June 30, 2015, which are included in Annex A, and Alcatel Lucent's consolidated financial statements and the notes thereto for the years ended December 31, 2013 and 2012, which are incorporated by reference into this Listing Prospectus. The selected consolidated historical income statement and statement of cash flow data for the years ended December 31, 2014, 2013 and 2012 and the consolidated statement of financial position data as of December 31, 2014, 2013 and 2012 have been derived from Alcatel Lucent's audited consolidated financial statements for the respective years, prepared in accordance with IFRS. The selected consolidated historical income statement and statement of cash flow data for the six month periods ended June 30, 2015 and 2014 and the consolidated statement of financial position as of June 30, 2015 have been derived from Alcatel Lucent's unaudited interim report for the six months ended on June 30, 2015 prepared in accordance with IFRS.

On September 30, 2014, Alcatel Lucent completed the disposal of 85% of its Enterprise business to China Huaxin, for cash proceeds of EUR 205 million, following the binding offer Alcatel Lucent received early February 2014. As a result of this transaction, the results pertaining to the Enterprise business for the year ended December 31, 2014 were treated as discontinued operations and years ended December 31, 2013 and 2012 were re-presented accordingly.

	For the year ended as of December 31			**For the six months ended June 30**	
	2014	**2013[1]**	**2012**	**2015**	**2014**
		(audited)		**(unaudited)**	
CONSOLIDATED INCOME STATEMENTS	*(in EUR million, except per share data)*			*(in EUR million, except per share data)*	
Revenues	**13 178**	**13 813**	**13 764**	**6 685**	**6 242**
Cost of sales	(8 770)	(9 491)	(9 753)	(4 364)	(4 218)
Gross profit	**4 408**	**4 322**	**4 011**	**2 321**	**2 024**
Administrative and selling expenses	(1 621)	(1 862)	(2 161)	(864)	(792)
Research and development costs	(2 215)	(2 268)	(2 330)	(1 213)	(1 090)
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	**572**	**192**	**(480)**	**244**	**142**
Restructuring costs	(574)	(518)	(479)	(191)	(342)
Litigations	7	(2)	2	(19)	4
Gain/(loss) on disposal of consolidated entities	20	2	11	(8)	(19)
Impairment of assets	-	(548)	(894)	-	-
Post-retirement benefit plan amendments	112	135	204	(1)	-
Income (loss) from operating activities	**137**	**(739)**	**(1 636)**	**25**	**(215)**
Finance cost	(291)	(392)	(279)	(135)	(154)
Other financial income (loss)	(211)	(318)	(394)	(7)	(118)
Share in net income (losses) of associates & joint ventures	15	7	5	1	7
Income (loss) before income tax and discontinued operations	**(350)**	**(1 442)**	**(2 304)**	**(116)**	**(480)**
Income tax (expense) benefit	316	173	(423)	(6)	92
Income (loss) from continuing operations	**(34)**	**(1 269)**	**(2 727)**	**(122)**	**(388)**
Income (loss) from discontinued operations	(49)	(25)	639	(14)	19

NET INCOME (LOSS)	**(83)**	**(1 294)**	**(2 088)**	**(136)**	**(369)**
Attributable to:					
Equity owners of the parent	**(118)**	**(1 304)**	**(2 011)**	**(126)**	**(371)**
Non-controlling interests	35	10	(77)	(10)	2
Earnings (loss) per share (in euros)[2]					
Basic earnings (loss) per share:					
From continuing operations	(0.02)	(0.53)	(1.11)	(0.04)	(0.14)
From discontinued operations	(0.02)	(0.01)	0.27	(0.01)	0.01
Attributable to the equity owners of the parent	(0.04)	(0.54)	(0.84)	(0.05)	(0.13)
Diluted earnings (loss) per share:					
From continuing operations	(0.02)	(0.53)	(1.11)	(0.04)	(0.14)
From discontinued operations	(0.02)	(0.01)	0.22	(0.01)	0.01
Attributable to the equity owners of the parent	(0.04)	(0.54)	(0.84)	(0.05)	(0.13)

[1] 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations.
[2] As a result of the 2013 capital increase made by Alcatel Lucent through 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.

	For the year ended as of December 31			**For the six months ended June 30**	
	2014	**2013**	**2012**	**2015**	**2014**
		(audited)		**(unaudited)**	
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME		*(in EUR million)*		*(in EUR million,)*	
Net income (loss) for the year / period	**(83)**	**(1 294)**	**(2 088)**	**(136)**	**(369)**
Items to be subsequently reclassified to Income Statement	**510**	**(221)**	**(4)**	**340**	**44**
Financial assets available for sale	8	11	16	-	3
Cumulative translation adjustments	503	(232)	(34)	339	39
Cash flow hedging	(1)	-	14	1	2
Tax on items recognized directly in equity	-	-	-	-	-
Items that will not be subsequently reclassified to Income Statement	**(1 568)**	**1 411**	**71**	**404**	**(94)**
Actuarial gains (losses) and adjustments arising from asset ceiling limitation and IFRIC 14	(1 822)	1 667	172	426	33
Tax on items recognized directly in equity	254	(256)	(101)	(22)	(127)
Other comprehensive income (loss) for the year	**(1 058)**	**1 190**	**67**	**744**	**(50)**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(1 141)**	**(104)**	**(2 021)**	**608**	**(419)**
Attributable to:					
Equity owners of the parent	**(1 256)**	**(99)**	**(1 933)**	**550**	**(413)**
Non-controlling interests	115	(5)	(88)	58	(6)

	As of December 31			**As of June 30**
	2014	**2013**	**2012**	**2015**
		(audited)		**(unaudited)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		*(in EUR million)*		*(in EUR million)*
ASSETS				
Non-current assets:				
Goodwill	3 181	3 156	3 820	3 360
Intangible assets, net	1 011	1 001	1 175	1 419

Goodwill and intangible assets, net	**4 192**	**4 157**	**4 995**	**4 779**
Property, plant and equipment, net	1 132	1 075	1 133	1 378
Investments in associates & joint ventures	51	35	29	27
Other non-current financial assets, net	406	322	341	362
Deferred tax assets	1 516	1 000	985	1 648
Prepaid pension costs	2 636	3 150	2 797	2 831
Other non-current assets	429	413	428	476
Total non-current assets	**10 362**	**10 152**	**10 708**	**11 501**
Current assets:				
Inventories and work in progress, net	1 971	1 935	1 940	2 099
Trade receivables and other receivables, net	2 528	2 482	2 860	2 523
Advances and progress payments	43	46	53	45
Other current assets	877	751	726	887
Current income taxes	64	33	118	67
Marketable securities, net	1 672	2 259	1 528	1 770
Cash and cash equivalents	3 878	4 096	3 401	4 007
Current assets before assets held for sale	**11 033**	**11 602**	**10 626**	**11 398**
Assets held for sale and assets included in disposal groups held for sale	65	142	20	43
Total current assets	**11 098**	**11 744**	**10 646**	**11 441**
TOTAL ASSETS	**21 460**	**21 896**	**21 354**	**22 942**
EQUITY AND LIABILITIES				
Equity:				
Capital stock	141	140	4 653	142
Additional paid-in capital	20 869	20 855	16 593	20 891
Less treasury stock at cost	(1 084)	(1 428)	(1 567)	(1 084)
Accumulated deficit, fair value and other reserves	(17 633)	(14 588)	(15 159)	(17 338)
Other items recognized directly in equity	52	45	-	53
Cumulative translation adjustments	(366)	(787)	(571)	(95)
Net income (loss) - attributable to the equity owners of the parent	(118)	(1 304)	(2 011)	(126)
Equity attributable to equity owners of the parent	**1 861**	**2 933**	**1 938**	**2 443**
Non-controlling interests	833	730	745	879
Total equity	**2 694**	**3 663**	**2 683**	**3 322**
Non-current liabilities:				
Pensions, retirement indemnities and other post-retirement benefits	5 163	3 854	5 338	5 197
Convertible bonds and other bonds, long-term	4 696	4 711	3 727	4 798
Other long-term debt	179	211	227	253
Deferred tax liabilities	872	990	889	912
Other non-current liabilities	175	188	177	520
Total non-current liabilities	**11 085**	**9 954**	**10 358**	**11 680**
Current liabilities:				
Provisions	1 364	1 416	1 649	1 239
Current portion of long-term debt and short-term debt	402	1 240	851	575
Customers’ deposits and advances	810	681	718	958
Trade payables and other payables	3 571	3 518	3 726	3 599
Current income tax liabilities	73	93	145	74
Other current liabilities	1 429	1 237	1 204	1 462

Current liabilities before liabilities related to disposal groups held for sale	**7 649**	**8 185**	**8 293**	**7 907**
Liabilities related to disposal groups held for sale	32	94	20	33
Total current liabilities	**7 681**	**8 279**	**8 313**	**7 940**
TOTAL EQUITY AND LIABILITIES	**21 460**	**21 896**	**21 354**	**22 942**

	For the year ended December 31			**For the six months ended June 30**	
	2014	**2013[1]**	**2012**	**2015**	**2014**
		(audited)		**(unaudited)**	
CONSOLIDATED STATEMENTS OF CASH FLOWS		*(in EUR million)*		*(in EUR million)*	
Cash flows from operating activities					
Net income (loss) – attributable to the equity owners of the parent	(118)	(1 304)	(2 011)	(126)	(371)
Non-controlling interests	35	10	(77)	(10)	2
Adjustments	692	1 479	2 028	484	448
Net cash provided (used) by operating activities before changes in working capital, interest and taxes	**609**	**185**	**(60)**	**348**	**79**
Net change in current assets and liabilities (excluding financing):					
Inventories and work in progress	(72)	(216)	(126)	(116)	(192)
Trade receivables and other receivables	18	138	534	94	101
Advances and progress payments	4	5	10	5	(2)
Trade payables and other payables	(167)	25	(186)	(172)	(40)
Customers' deposits and advances	88	(19)	93	96	1
Other current assets and liabilities	(35)	34	(153)	(139)	(153)
Cash provided (used) by operating activities before interest and taxes	**445**	**152**	**112**	**116**	**(206)**
Interest received	65	66	72	41	34
Interest paid	(290)	(362)	(274)	(133)	(151)
Taxes (paid)/received	(93)	(77)	(54)	(47)	(56)
Net cash provided (used) by operating activities	**127**	**(221)**	**(144)**	**(23)**	**(379)**
Cash flows from investing activities:					
Proceeds from disposal of tangible and intangible assets	92	36	13	46	71
Capital expenditures	(556)	(463)	(524)	(259)	(232)
Decrease (increase) in loans and other non-current financial assets	19	19	21	22	22
Cash expenditures for obtaining control of consolidated companies or equity affiliates	(14)	-	4	(102)	-
Cash proceeds/(outgoings) from losing control of consolidated companies	84	-	(5)	(1)	47
Cash proceeds from sale of previously consolidated and non-consolidated companies	(7)	3	26	-	(2)
Cash proceeds from sale (cash expenditure for acquisition) of marketable securities	617	(723)	(574)	(81)	544
Net cash provided (used) by investing activities	**235**	**(1 128)**	**(1 039)**	**(375)**	**450**

Cash flows from financing activities:					
Issuance/(repayment) of short-term debt	117	(643)	(60)	(51)	142
Issuance of long-term debt	1 143	4 087	18	85	1 136
Repayment/repurchase of long-term debt	(2 575)	(2 062)	(127)	-	(1 002)
Cash proceeds (expenditures) related to changes in ownership interests in consolidated companies without loss of control	-	-	84	-	-
Net effect of exchange rate changes on inter-unit borrowings	(86)	9	(12)	11	(20)
Capital increase[2]	30	965	122	22	10
Dividends paid	(12)	(6)	(37)	(12)	(11)
Net cash provided (used) by financing activities	**(1 383)**	**2 350**	**(12)**	**55**	**255**
Cash provided (used) by operating activities of discontinued operations	34	65	(71)	5	56
Cash provided (used) by investing activities of discontinued operations	71	(64)	1 066	30	(31)
Cash provided (used) by financing activities of discontinued operations	65	(15)	36	-	(25)
Net effect of exchange rate changes	633	(292)	23	439	62
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(218)**	**695**	**(141)**	**131**	**388**
Cash and cash equivalents at beginning of period / year	**4 096**	**3 401**	**3 533**	**3 878**	**4 096**
Cash and cash equivalents at beginning of period / year classified as assets held for sale	-	**-**	**9**		
Cash and cash equivalents at end of period / year [3]	**3 878**	**4 096**	**3 400**	**4 007**	**4 483**
Cash and cash equivalents at end of period / year classified as assets held for sale	-	**-**	**1**	**2**	**1**
Cash and cash equivalents including cash and cash equivalents classified as held for sale at the end of period	**3 878**	**4 096**	**3 401**	**4 009**	**4 484**

[1] 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations.
[2] Of which EUR 15 million, EUR 16 million and EUR 0 million related to Alcatel Lucent stock options exercised during 2014, 2013 and 2012, respectively.
[3] Includes EUR 1 019 million of cash and cash equivalents held in countries subject to exchange control restrictions as of December 31, 2014 (EUR 756 million as of December 31, 2013 and EUR 949 million as of December 31, 2012) and EUR 1 056 million of cash and cash equivalents held in countries subject to exchange control restrictions as of June 30, 2015 (EUR 714 million as of June 30, 2014). Such restrictions can limit the use of such cash and cash equivalents by other Alcatel Lucent Group subsidiaries and Alcatel Lucent.

On June 19, 2013, Alcatel Lucent announced the Shift Plan, a detailed three-year plan to transform itself into a specialist provider of IP and Cloud Networking and Ultra-Broadband Access. As part of this process, effective from July 1, 2013, Alcatel Lucent implemented a new organization composed of three reportable segments: Core Networking, Access and Other.

The Shift Plan has targeted investments in Core Networking businesses (including IP Routing, IP Transport, IP Platforms and associates services), increasing segment operating cash flow from the Access segment, and technological partnerships. The Shift Plan has also focused on market diversification and rightsizing Alcatel Lucent's cost structure. In particular, the Shift Plan aims to reduce Alcatel Lucent's fixed-cost

		base by EUR 950 million in 2015 compared to its 2012 cost base. Alcatel Lucent has stated that it expects that the cumulative amount of restructuring cash outlays pursuant to the Shift Plan should be approximately EUR 1.8 billion, of which approximately EUR 1.4 billion will be incurred between 2013 and 2015, with the remainder in 2016. In addition, Alcatel Lucent has completed multiple dispositions as part of the Shift Plan and re-profiled and reduced the financial debt of the company.
B.8	**Selected key pro forma financial information**	The Acquisition of Alcatel Lucent will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3, Business Combinations ("IFRS 3") with Nokia considered as the acquirer of Alcatel Lucent. The IFRS 3 acquisition method of accounting applies the fair value concepts defined in IFRS 13, Fair Value Measurement ("IFRS 13") and requires, among other things, that the identifiable assets acquired and liabilities assumed in a business combination are recognized at their fair values as of the acquisition date, with any excess of the purchase consideration over the fair value of identifiable net assets acquired recognized as goodwill. The purchase price calculation and purchase price allocation presented herein were made solely for the purpose of preparing this unaudited pro forma condensed combined financial information (the "Unaudited Pro Forma Financial Information"). The Unaudited Pro Forma Financial Information is derived from (a) the audited consolidated financial statements of Nokia for the year ended December 31, 2014, which are incorporated by reference into this Listing Prospectus, (b) the unaudited condensed consolidated financial statements of Nokia for the six months ended June 30, 2015, which are incorporated by reference into this Listing Prospectus, (c) the audited consolidated financial statements of Alcatel Lucent Annual Report, which are included in Annex A and (d) the unaudited condensed consolidated financial statements of Alcatel Lucent Interim Report, which are included in Annex A. The unaudited pro forma condensed combined statement of financial position as of June 30, 2015 gives effect to the Exchange Offer as if it had occurred on that date. The unaudited pro forma condensed combined income statements for the six months ended June 30, 2015 and for the year ended December 31, 2014 give effect to the Exchange Offer as if it had occurred on January 1, 2014. The unaudited pro forma condensed combined statement of financial position as of June 30, 2015 also gives effect to the sale of Nokia's HERE business as if it had occurred on that date. The unaudited pro forma condensed combined income statements for the six months ended June 30, 2015 and years ended December 31, 2014, 2013 and 2012 also give effect to the sale of Nokia's HERE business by presenting HERE as discontinued operations in accordance with IFRS 5 to give pro forma effect to the proposed sale of HERE. The Unaudited Pro Forma Financial Information reflects adjustments to historical financial information to give pro forma effect to events that are directly attributable to the Exchange Offer, have an ongoing effect on Nokia's income statements and are factually supportable. The unaudited pro forma condensed combined income statement information does not reflect any non-recurring items directly related to the Exchange Offer or sale of HERE that the Combined Company may incur following the Completion of the Exchange Offer and sale of HERE, rather such non-recurring items are presented in the notes to the Unaudited Pro Forma Condensed Combined Financial Information. Nokia's Unaudited Pro Forma Financial Information and explanatory notes present how Nokia's financial statements may have appeared had the businesses actually been combined and had Nokia's capital structure reflected the Exchange Offer as of the dates noted above. Nokia has performed a preliminary review of Alcatel Lucent's IFRS accounting policies, based primarily on publicly available information, to determine whether any adjustments were necessary to ensure comparability in the Unaudited Pro Forma

Financial Information. At this time, Nokia is not aware of any differences that would have a material effect on the Unaudited Pro Forma Financial Information. Upon closing of the Acquisition of Alcatel Lucent, Nokia will conduct a detailed analysis of Alcatel Lucent's accounting policies. Certain reclassifications were made to amounts in Alcatel Lucent's financial statements to align with Nokia's presentation.

The Unaudited Pro Forma Financial Information assumes that all Alcatel Lucent Securities will be tendered into the Exchange Offer or the subsequent offering period, if any.

The Unaudited Pro Forma Financial Information reflects the application of pro forma adjustments that are preliminary and are based upon available information and certain assumptions that management believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the accompanying Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information has been prepared by management for illustrative purposes only and is not necessarily indicative of the financial position or results of Nokia's operations that would have been realized had the Acquisition of Alcatel Lucent or the HERE transaction contemplated above occurred as of the dates indicated, nor is it meant to be indicative of any anticipated financial position or future results of operations that Nokia will experience going forward. In addition, the accompanying unaudited pro forma condensed combined income statements does not reflect any expected cost savings, synergies, restructuring actions, non-recurring items or one-time transaction related costs that Nokia expects to generate or incur.

All amounts presented are in millions of euros unless otherwise noted.

Unaudited Pro Forma Condensed Combined Statement of Financial Position As of June 30, 2015

EURm	Nokia historical	Sale of HERE	Nokia continuing operations	Alcatel Lucent reclassified	Pro forma adjustments	Pro forma combined
ASSETS						
Non-current assets						
Goodwill	2 783	(2 555)	228	3 360	4 804	8 392
Other intangible assets	341	(37)	304	1 419	5 700	7 423
Property, plant and equipment	786	(112)	674	1 378	-	2 052
Investments in associated companies	69	-	69	27	-	96
Available-for-sale investments	1 018	-	1 018	337	-	1 355
Deferred tax assets	2 721	(51)	2 670	1 648	-	4 318
Long-term loans receivable	48	-	48	9	-	57
Prepaid pension costs	29	-	29	2 831	-	2 860
Other non-current assets	43	-	43	376	-	419
	7 837	**(2 756)**	**5 081**	**11 385**	**10 504**	**26 970**
Current assets						
Inventories	1 368	(12)	1 356	2 099	108	3 563
Accounts receivable, net of allowances for doubtful accounts	3 602	(159)	3 443	2 005	(8)	5 440
Prepaid expenses and accrued income	944	(73)	871	1 323	-	2 194
Current income tax assets	200	(7)	193	67	-	260
Current portion of long-term loans receivable	2	-	2	16	-	18

		Other financial assets	121	-	121	202	-	323
		Investments at fair value through profit and loss, liquid assets	570	-	570	-	-	570
		Available-for-sale investments, liquid assets	2 065	(1)	2 064	1 770	-	3 834
		Cash and cash equivalents	3 983	2 515	6 498	4 032	-	10 530
			12 855	**2 263**	**15 118**	**11 514**	**100**	**26 732**
		Assets of disposal groups classified as held for sale	-	-	-	43	-	43
		Total assets	**20 693**	**(493)**	**20 200**	**22 942**	**10 604**	**53 746**

		EURm	Nokia historical	Sale of HERE	Nokia continuing operations	Alcatel Lucent reclassified	Pro forma adjustments	Pro forma combined
		SHAREHOLDERS' EQUITY AND LIABILITIES						
		Capital and reserves attributable to equity holders of the parent	8 919	26	8 945	2 443	10 354	21 742
		Non-controlling interests	59	-	59	879	-	938
		Total equity	**8 979**	**26**	**9 005**	**3 322**	**10 354**	**22 681**
		Non-current liabilities						
		Long-term interest-bearing liabilities	2 685	-	2 685	5 051	(3 430)	4 306
		Deferred tax liabilities	75	-	75	912	1 764	2 751
		Deferred revenue and other long-term liabilities	1 575	(164)	1 411	571	-	1 982
		Defined benefit pensions and other post-retirement benefits	426	(7)	419	5 197	-	5 616
		Provisions	259	-	259	324	-	583
			5 019	**(171)**	**4 848**	**12 055**	**(1 666)**	**15 237**
		Current liabilities						
		Current portion of long-term interest-bearing liabilities	1	-	1	195	1 901	2 097
		Short-term borrowings	102	-	102	357	-	459
		Other financial liabilities	122	-	122	145	-	267
		Current income tax liabilities	484	(58)	426	74	-	500
		Accounts payable	1 919	(49)	1 870	1 916	(8)	3 778
		Accrued expenses, deferred revenue and other liabilities	3 560	(238)	3 322	3 930	23	7 275
		Provisions	507	(3)	504	915	-	1 419
			6 695	**(348)**	**6 347**	**7 532**	**1 916**	**15 795**
		Liabilities of disposal groups classified as held for sale	-	-	-	33	-	33
		Total liabilities	**11 714**	**(519)**	**11 195**	**19 620**	**250**	**31 065**
		Total shareholders' equity and liabilities	**20 693**	**(493)**	**20 200**	**22 942**	**10 604**	**53 746**

Unaudited Pro Forma Condensed Combined Income Statement for the Six Month Period Ended June 30, 2015

EURm	Nokia historical	Sale of HERE	Nokia continuing operations	Alcatel Lucent reclassified	Pro forma adjustments	Pro forma combined
Net sales	6 405	(551)	5 854	6 601	(14)	12 441
Cost of sales	(3 512)	142	(3 370)	(4 367)	14	(7 723)
Gross profit	2 892	(409)	2 483	2 234	-	4 717
Research and development expenses	(1 354)	269	(1 085)	(1 168)	(171)	(2 424)
Selling, general and administrative expenses	(875)	99	(776)	(870)	(168)	(1 814)
Impairment of goodwill	-	-	-	-	-	-
Other income	159	-	159	48	-	207
Other expenses	(78)	13	(65)	(219)	22	(262)
Operating profit/(loss)	**745**	**(28)**	**717**	**25**	**(317)**	**425**
Share of results of associated companies	14	-	14	1	-	15
Financial income and expenses	(49)	(4)	(53)	(142)	28	(167)
Profit/(loss) before tax	**710**	**(32)**	**678**	**(116)**	**(289)**	**273**
Income tax benefit/ (expense)	(177)	7	(170)	(6)	87	(89)
Profit/(loss) from continuing operations	533	(25)	508	(122)	(202)	184
Attributable to:						
Equity holders of the parent	531	(25)	506	(112)	(202)	192
Non-controlling interests	2	-	2	(10)	-	(8)
	533	(25)	508	(122)	(202)	184

Earnings per share from continuing operations (attributable to equity holders of parent)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Basic	0.15	(0.01)	0.14	(0.04)	0.03
Diluted	0.14	(0.00)	0.14	(0.04)	0.03
Weighted average number of shares	**000s shares**	**000s shares**	**000s shares**	**000s shares**	**000s shares**
Basic	3 631 929	3 631 929	3 631 929	2 787 471	5 640 929
Diluted	3 952 185	3 642 883	3 642 883	2 787 471	5 657 924

Unaudited Pro Forma Condensed Combined Income Statement for the Year Ended December 31, 2014

EURm	Nokia historical	Sale of HERE	Nokia continuing operations	Alcatel Lucent reclassified	Pro forma adjustments	Pro forma combined
Net sales	12 732	(969)	11 763	13 010	(29)	24 744
Cost of sales	(7 094)	238	(6 856)	(8 788)	29	(15 615)
Gross profit	**5 638**	**(731)**	**4 907**	**4 222**	**-**	**9 129**
Research and development expenses	(2 493)	545	(1 948)	(2 139)	(223)	(4 310)

Selling, general and administrative expenses	(1 634)	181	(1 453)	(1 661)	(439)	(3 553)
Impairment of goodwill	(1 209)	1 209	-	-	-	-
Other income	136	(2)	134	308	-	442
Other expenses	(268)	39	(229)	(593)	-	(822)
Operating profit/(loss)	**170**	**1 241**	**1 411**	**137**	**(662)**	**886**
Share of results of associated companies	(12)	-	(12)	15	-	3
Financial income and expenses	(395)	(5)	(400)	(502)	38	(864)
(Loss)/profit before tax	**(237)**	**1 236**	**999**	**(350)**	**(624)**	**25**
Income tax benefit/ (expense)	1 408	310	1 718	316	187	2 221
Profit/(loss) from continuing operations	1 171	1 546	2 717	(34)	(437)	2 246
Attributable to:						
Equity holders of the parent	1 163	1 546	2 709	(69)	(437)	2 203
Non-controlling interests	8	-	8	35	-	43
	1 171	**1 546**	**2 717**	**(34)**	**(437)**	**2 246**

Earnings per share from continuing operations (attributable to equity holders of parent)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Basic	0.31	0.42	0.73	(0.02)	0.39
Diluted	0.30	0.39	0.67	(0.02)	0.37

Weighted average number of shares	**000s shares**	**000s shares**	**000s shares**	**000s shares**	**000s shares**
Basic	3 698 723	3 698 723	3 698 723	2 767 026	5 707 723
Diluted	4 131 602	4 131 602	4 131 602	2 767 026	6 143 274

B.9 **Profit forecasts and estimates**

Nokia

This Element, *"Profit forecasts and estimates"*, includes forward-looking statements. Forward-looking statements are no guarantees of future developments, and Nokia's actual results could differ materially from the results described in or implied by forward-looking statements contained herein due to various factors. Nokia cautions investors not to place undue reliance on these forward-looking statements, which speak only as at the date of this Listing Prospectus.

The following table sets forth Nokia's outlook as disclosed in conjunction with Nokia's Interim Report on July 30, 2015.

	Metric[1]	**Guidance**	**Commentary**
Nokia Networks	Full year 2015 Net sales	Increase year-on-year	
	Full year 2015 Non-IFRS operating margin	Around the midpoint of the long-term range of 8% - 11% for the full year	Based on factors including competitive industry dynamics, product and regional mix, expected industry seasonality in the second half of 2015, the timing of major network deployments,

			and expected continued operational improvement.
HERE	Full year 2015 Net sales	Increase year-on-year	
	Full year 2015 Non-IFRS operating margin	9% - 12%	Based on factors including leading market position, positive industry trends and improved focus on cost efficiency.
Nokia Technologies	Full year 2015 Net sales	Increase year-on-year	Excludes potential amounts related to the expected resolution of Nokia's arbitration with Samsung.
	Full year 2015 Non-IFRS operating expense	Approximately in line with Q2 2015 level (update)	Based on factors including higher investment in licensing activities, licensable technologies and business enablers, including go-to-market capabilities, which target new and significant long-term growth opportunities. <u>This is an update</u> to the earlier FY15 non-IFRS operating expense outlook to be approximately in line with the Q4 2014 level.
Nokia	Full year 2015 capital expenditure	Approximately EUR 250 million	Primarily attributable to Nokia Networks.
	Full year 2015 financial income and expense	Expense of approximately EUR 160 million	Subject to changes in FX rates and interest-bearing liabilities.
	Full year 2015 Group Common Functions non-IFRS operating expense	Approximately EUR 120 million	
	Estimated long-term effective tax rate	Approximately 25%	
	Annual cash tax obligation	Approximately EUR 250 million per annum until deferred tax assets fully utilized	May vary due to profit levels in different jurisdictions and amount of license income subject to withholding tax.

[1] Non-IFRS measures exclude certain non-recurring items (special items). In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting-related items arising from business acquisitions.

B.10	**Qualifications in the audit reports**	Not applicable; neither the respective published audit reports of Nokia nor Alcatel Lucent include any qualifications.
B.11	**Sufficiency of working capital**	In the opinion of Nokia's management, the working capital available to Nokia is sufficient to cover its present needs for the next 12 months following the date of this Listing Prospectus. In order to evaluate Nokia's working capital needs after the Acquisition, Nokia has prepared financial projections assuming the combination of Nokia and Alcatel Lucent and excluding the HERE business. Based on these financial projections, Nokia anticipates that the combination of Nokia and Alcatel Lucent will not adversely impact the sufficiency of working capital for the Combined Company.

Section C — Securities		
C.1	**Type and class of securities**	**Nokia** Nokia has a single series of shares, and each share entitles its holder to one vote in the General Meeting of Shareholders of the Company. There are no voting restrictions related to the shares. All Nokia Shares carry equal rights to dividends and other distributions by Nokia (including distributions of assets in the event of the liquidation of the Company). Nokia Shares have been issued according to Finnish legislation and are incorporated in the book-entry system of securities maintained by Euroclear Finland Ltd. Nokia Shares are subject to public trading on the Official List of Nasdaq Helsinki under the trading symbol "NOKIA" and the ISIN code of Nokia Share is FI0009000681. Nokia Shares are quoted in Euro in Nasdaq Helsinki. Nokia ADSs are quoted on the New York Stock Exchange under trading code "NOK". **Alcatel Lucent** The Alcatel Lucent Shares are traded on Euronext Paris under the symbol "ALU" and Alcatel Lucent ADSs are traded on the NYSE under the symbol "ALU". Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on July 1, 2018 (i.e. 2018 OCEANEs), Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on January 30, 2019 (i.e. 2019 OCEANEs) and Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on January 30, 2020 (i.e. 2020 OCEANEs) are traded on Euronext Paris, under the symbol "YALU" for the 2018 OCEANEs, "YALU1" for the 2019 OCEANEs and "YALU2" for the 2020 OCEANEs. The ISIN code of the Alcatel Lucent Shares is FR0000130007. A shareholder has the right to as many votes as the number of shares that he owns or represents. However, fully paid registered shares, registered in the name of the same holder for at least three years, have double voting rights.
C.2	**Currency of the securities issue**	The currency is euro.
C.3	**Share information**	**Nokia** At the date of this Listing Prospectus, Nokia has 3 678 641 891 fully paid shares. Nokia Shares have no nominal value. On October 26, 2012 Nokia Group issued a EUR 750 million convertible bond ("Convertible Bond") based on an authorization granted by the Annual General Meeting on May 6, 2010. The bonds have a five-year maturity and a 5.0% per annum coupon payable semi-annually. The current conversion price is EUR 2.39. On the date of this Listing Prospectus, EUR 0.2 million of the bond was converted into shares. The terms of the Convertible Bond allow Nokia to redeem such bonds at any time after November 25, 2015 for cash at their principle amount, together with accrued but unpaid interest until the redemption date. The redemption is conditional on the volume weighted average price of the Nokia Shares during a specified period immediately prior to the date of the notice of redemption being equal to or exceeding 150% of the conversion price for the Convertible Bond. On October 8, 2015, Nokia announced that it had decided to exercise its option to redeem the Convertible Bond on November 26, 2015. If the Convertible Bond is converted into Nokia Shares in its entirety, which would occur by November 17, 2015, at the current conversion price of EUR 2.39 per Nokia Share, approximately 313 723 849 Nokia Shares (assuming full conversion) would be issued. These Nokia Shares would represent approximately 5.2% of the issued and outstanding Nokia Shares after Completion of the Exchange Offer (assuming that all

		Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any). **Alcatel Lucent** As of September 30, 2015, 2 838 984 750 Alcatel Lucent Shares were outstanding, including 40 115 200 Alcatel Lucent Shares held in treasury by Alcatel Lucent and including the Alcatel Lucent Shares represented by Alcatel Lucent ADSs. As of June 30, 2015, 499 863 626 Alcatel Lucent Shares were represented by Alcatel Lucent ADSs. The Alcatel Lucent Shares have a nominal value of EUR 0.05. As of September 30, 2015, the number of 2018 OCEANEs outstanding was 349 413 680, the number of 2019 OCEANEs outstanding was 167 500 000 and the number of 2020 OCEANEs outstanding was 114 499 995.
C.4	**Rights attached to the securities**	**Nokia** Rights attached to the Offered Shares (and Nokia Shares in general) include, amongst others, pre-emptive rights to subscribe for new shares in Nokia, rights to participate and exercise voting power at the General Meeting of Shareholders, rights to dividend and distribution of other unrestricted equity, and rights to demand redemption of shares at a fair price from a shareholder that holds shares representing more than 90% of all the shares and votes in Nokia, as well as other rights generally available under the Finnish Limited Liability Companies Act (624/2006, as amended). The Offered Shares will entitle their holders to full shareholder rights in Nokia after the Offered Shares have been registered in the Finnish Trade Register and in Nokia's shareholder register and will entitle their holders also to full dividend and other distribution of funds declared by Nokia, if any, in a similar manner as the existing Nokia Shares. **Alcatel Lucent** Each share gives right to a portion of Alcatel Lucent's profits, in the proportion prescribed by the Articles of Association. Dividends and other income from shares issued by Alcatel Lucent are paid under the conditions authorized or provided for under the regulations in effect and in such a manner as the General Meeting of Shareholders, or, alternatively, the Board of Directors may decide. A double voting right is granted to fully paid shares which have been held in registered form by the same person for at least three years. Rights and obligations remain attached to a share regardless of who holds the share. Ownership of a share entails automatic acceptance of Alcatel Lucent's Articles of Association and resolutions of the General Meeting of Shareholders. Shares are indivisible vis-à-vis Alcatel Lucent, which means that joint owners of shares must be represented by a single person. Shares subject to usufruct must be identified as such in the share registration.
C.5	**Restrictions on the free transferability of the shares**	Nokia Shares are freely transferable. Alcatel Lucent Shares are freely transferable.
C.6	**Admission to trading**	Nokia Shares are subject to public trading on the Official List of Nasdaq Helsinki under the trading symbol "NOKIA". Nokia ADSs are quoted on the New York Stock Exchange under trading code "NOK". In conjunction with the Exchange Offer, Nokia has applied for the Nokia Shares (including the Nokia Shares to be issued in connection with the Exchange Offer) to be listed on Euronext Paris. Nokia expects to request that Admission be approved to take effect prior to the Completion of the Exchange Offer. Nokia will also apply for

		a listing of the Nokia Shares and Nokia ADSs to be issued in connection with the Exchange Offer on Nasdaq Helsinki and the NYSE, respectively.
C.7	**Dividend policy**	**Nokia** Nokia does not have a quantitative distribution policy but it does generally view annual dividends as an important mechanism to return value to its shareholders. The dividend distribution of Nokia will continue to be determined by Nokia's Board of Directors as regards the Company's distribution capabilities, financial situation and the needs for the Company. Under the Finnish Companies Act (624/2006, as amended), the General Meeting of Shareholders decides on the distribution of dividends based on a proposal by a company's Board of Directors. For the financial year ended December 31, 2014, Nokia paid dividends in the amount of EUR 0.14 per share (EUR 0.11 per share and an additional special dividend of EUR 0.26 per share for 2013, no dividend for 2012). **Alcatel Lucent** No dividends have been distributed in the six previous fiscal years. Dividends not claimed within five years are turned over to the French Treasury. The dividend policy is defined by Alcatel Lucent's Board of Directors following an analysis, in particular, of Alcatel Lucent Group's financial position and earnings and taking into account its capital requirements and performance, current and future returns, and market practices in relation to distribution of dividends, especially in the sector of activity within which Alcatel Lucent operates. In the light of Alcatel Lucent's financial results, investment needs and requirements in terms of debt management, Alcatel Lucent may decide to adjust a dividend distribution, or to not distribute a dividend. At its meeting of February 5, 2015 Alcatel Lucent's Board of Directors recommended to pay no dividend for fiscal year 2014.

Section D — Risks		
D.1	**Risks specific to the issuer or its industry**	**Nokia** The risks relating to the operating environment, business and financing of Nokia include the following factors: • Nokia's strategy is subject to various risks and uncertainties, including that Nokia may not be able to successfully implement its strategy, sustain or improve the operational and financial performance of its businesses, or that Nokia may not be able to correctly identify or successfully pursue business opportunities. • Nokia may be adversely affected by general economic and market conditions. • Nokia is a company with global operations, exposing it to political and other developments. • Nokia's business is subject to direct and indirect regulation. As a result, changes in various types of regulations, their application, as well as economic and trade policies applicable to current or new technologies or products may adversely affect Nokia's business and results of operations. • Nokia has a significant presence in emerging market countries, which may have a higher degree of regulatory or political risk, including unfavorable or unpredictable treatment in relation to tax matters, exchange controls, and other restrictions.

		• Nokia is subject to various legislative frameworks and jurisdictions that regulate fraud as well as economic and trade sanctions and policies and as such, the extent and outcome of possible proceedings is difficult to estimate with any certainty. • Nokia is subject to the regulatory requirements concerning publicly listed companies. Failure to meet these regulatory requirements could result, for instance, in loss of confidence in Nokia or in the accuracy and completeness of Nokia's financial reports, or otherwise in the imposition of fines or other regulatory censures. • Nokia's products, services and business models depend on IPR technologies that Nokia has developed as well as technologies that are licensed to Nokia by certain third parties. As a result, evaluating the rights related to the technologies Nokia uses or intends to use is increasingly challenging, and Nokia expects to continue to face claims that it could have allegedly infringed third parties' IPR. The use of these technologies may also result in increased licensing costs for Nokia, restrictions on Nokia's ability to use certain technologies in its products and/or costly and time consuming litigation. • Nokia has operations in a number of countries and, as a result, faces complex tax issues and tax disputes and could be obligated to pay additional taxes in various jurisdictions. • Nokia's actual or anticipated performance, among other factors, could reduce the Company's ability to utilize its deferred tax assets. • Nokia may be unable to retain, motivate, develop and recruit appropriately skilled employees. • Nokia may face disruptions relating to the use of its employees or relationships with employee representatives. • Performance failures of Nokia's partners as well as failures to achieve the required partnering arrangements could adversely affect the Company. • Nokia's net sales, costs and results of operations, as well as the U.S. dollar value of Nokia's dividends and market price of Nokia ADSs, are affected by exchange rate fluctuations. • An unfavorable outcome of litigation, contract-related disputes or allegations of health hazards associated with Nokia's businesses could have a material adverse effect on the Company. • Inefficiencies, breaches, malfunctions or disruptions of information technology systems could have a material adverse effect on Nokia's businesses and results of operations. • Cybersecurity breaches and other potential security risks may adversely affect Nokia's business. • Nokia may not be able to achieve targeted benefits from or successfully implement planned transactions. • The Sale of the Devices & Services Business may expose Nokia to contingent liabilities and the agreements Nokia have entered into with Microsoft may have terms that prove to be unfavorable to the Company. • Nokia's efforts aimed at managing and improving financial or operational performance, cost savings and competitiveness may not lead to targeted results or improvements. • Nokia may not be able to optimize the Company's capital structure as planned and re-establish its investment grade credit rating. • Should the current uncertain market conditions continue or deteriorate, Nokia or the Combined Company may not be able to receive sufficient financing. • Nokia's or the Combined Company's credit ratings may not reflect all risks and may not improve in the future. • Nokia Networks is dependent on the development of the mobile broadband infrastructure industry.

- Nokia Networks focuses on mobile broadband and accordingly its sales and profitability depend on its success in the mobile broadband infrastructure and related services market.
- Nokia Networks faces intense competition and may fail to effectively and profitably invest in new competitive high quality products, services, upgrades and technologies and to bring them to market in a timely manner.
- Defects in Nokia Networks' products could adversely affect the Company's results of operations.
- Nokia Networks is dependent on a limited number of customers and large multi-year agreements and accordingly a loss of a single customer, further operator consolidation or issues related to a single agreement, may have a significant impact on Nokia Networks.
- Nokia Networks may face problems or disruptions in the Company's manufacturing, service creation, delivery, logistics or supply chain.
- Nokia Networks' business models rely on solutions for distribution of services and software or data storage, which entail inherent risks relating to security or applicable regulatory regimes.
- Nokia Networks' production sites or the production sites of the Company's suppliers are geographically concentrated.
- Nokia Networks may be adversely affected by developments with respect to the customer financing or extended payment terms it provides to customers.
- HERE business strategy is subject to risks and uncertainties, including intense competition faced by HERE, and may fail to effectively and profitably invest in new competitive high-quality services and data and bring these to market in a timely manner or adjust its operations efficiently.
- The carrying amount of HERE goodwill may not be recoverable.
- HERE business sales are dependent on the overall automotive market developments and customer business conditions.
- HERE business sales, especially with respect sales to the automotive industry are derived from a limited number of customers and large multi-year agreements.
- Nokia Technologies' patent licensing income may be adversely affected by general economic conditions or adverse market developments as well as regulatory or other developments.
- Nokia Technologies' patent licensing income and other intellectual property related revenue are subject to risks and uncertainties and will be adversely affected if Nokia is not able to maintain the existing sources of intellectual property related revenue or establish new sources.
- Nokia Technologies' patent licensing income is dependent on a limited number of key licensees, including Samsung, that contribute proportionally significant patent licensing income.
- Licensing Nokia Technologies' patents or other IPR portfolio and otherwise monetizing Nokia's intellectual property assets rely on adequate regulatory and judicial protection for patented or other proprietary technologies.
- The Nokia Technologies business aims to generate net sales and profitability through business areas such as technology licensing, licensing the Nokia brand and other business ventures including technology innovation and incubation, which may not materialize as planned or at all.

The risks relating to the proposed sale of Nokia's HERE business include the following factors:

- The proposed sale of Nokia's HERE business may not be completed in a timely manner, or at all.
- The proposed sale of Nokia's HERE business may be time-consuming and divert management attention.

Alcatel Lucent

The risks relating to Alcatel Lucent's business and legal situation include the following factors:

- Alcatel Lucent's current restructuring program (the "Shift Plan") may not yield intended results, and Alcatel Lucent may not be able to transform itself successfully into a cash generative business.
- The telecommunications industry fluctuates and is affected by many factors, including the economic environment, decisions by service providers and other customers that buy Alcatel Lucent's products and services regarding their deployment of technology and their timing of purchases and roll-out, as well as demand and spending for communications services by businesses and consumers.
- Alcatel Lucent's business requires a significant amount of cash, and Alcatel Lucent may require additional sources of funds if its sources of liquidity are unavailable or insufficient to fund its operations.
- Credit and commercial risks and exposures could increase if the financial condition of Alcatel Lucent's customers declines.
- Alcatel Lucent's financial condition and results of operations may be harmed if Alcatel Lucent does not successfully reduce market risks, including through the use of derivative financial instruments.
- An impairment of other intangible assets or goodwill would adversely affect Alcatel Lucent's financial condition or results of operations.
- Alcatel Lucent operates in a highly competitive industry with many participants. Alcatel Lucent's failure to compete effectively would harm its business.
- Technology drives Alcatel Lucent's products and services. If Alcatel Lucent fails to keep pace with technological advances in the industry, or if Alcatel Lucent pursues technologies that do not become commercially accepted, customers may not buy Alcatel Lucent's products or use its services.
- Alcatel Lucent depends on a limited number of internal and external manufacturing organizations, distribution centers and suppliers. Their failure to deliver or to perform according to Alcatel Lucent's requirements may adversely affect Alcatel Lucent's ability to deliver its products, services and solutions on time and in sufficient volume, while meeting Alcatel Lucent's quality, safety or security standards.
- Alcatel Lucent is in the process of outsourcing a significant portion of its finance and human resources processes and services, increasing Alcatel Lucent's dependence on the reliability of external providers. Interruptions in the availability of these processes and services could have a material adverse impact on the responsiveness and quality of these processes and services that are crucial to Alcatel Lucent's business operations, and on Alcatel Lucent's future ability to adapt to changing business needs.
- Information system risks, data protection breaches, cyberattacks and industrial espionage may result in unauthorized access to or modification, misappropriation or loss of, the intellectual property and confidential information that Alcatel Lucent owns or that has been entrusted to Alcatel Lucent by third parties as well as interruptions to the availability of Alcatel Lucent's systems or the systems that Alcatel Lucent manages for third parties.
- Many of Alcatel Lucent's current and planned products are highly complex and may contain defects or errors that are detected only after deployment in telecommunications networks. If that occurs, Alcatel Lucent's reputation may be harmed.
- Rapid changes to existing regulations or technical standards or the implementation of new regulations or technical standards for products and services not previously regulated could be disruptive, time-consuming and costly to Alcatel Lucent.

		• Alcatel Lucent's ten largest customers accounted for 54% of its revenues in the first half of 2015 (among which Verizon, AT&T and Sprint represented 17%, 13% and 6% of Alcatel Lucent's revenues, respectively), and most of its revenues come from telecommunications service providers. The loss of one or more key customers or reduced spending by these service providers, or inability to expand and diversify Alcatel Lucent's customer base to non-service providers could significantly reduce its revenues, profitability and cash flow. • Alcatel Lucent has long-term sales agreements with a number of its customers. Some of these agreements may prove unprofitable as Alcatel Lucent's costs and product mix shift over the lives of the agreements. • Alcatel Lucent has significant international operations and a significant amount of Alcatel Lucent's revenues is earned in emerging markets and regions. • Alcatel Lucent Group's U.S. pension and post-retirement benefit plans are large and have funding requirements that fluctuate based on how their assets are invested, the performance of financial markets worldwide, interest rates, assumptions regarding the life-expectancy of covered employees and retirees, medical price increases, and changes in legal requirements. Even if these plans are currently fully funded, they are costly, and Alcatel Lucent's efforts to satisfy further funding requirements or control these costs may be ineffective. • Volatility in discount rates and asset values will affect the funded status of Alcatel Lucent's pension plans. • Pension and post-retirement health plan participants may live longer than has been assumed, which would result in an increase in Alcatel Lucent's benefit obligation. • Alcatel Lucent may not be able to fund the healthcare and group life insurance costs of its formerly represented retirees with excess pension assets in accordance with Section 420 of the U.S. Internal Revenue Code. • Healthcare cost increases and an increase in the use of services may significantly increase Alcatel Lucent's retiree healthcare costs. • The activities of Alcatel Lucent's Optics division include the installation and maintenance of undersea telecommunications cable networks, and in the course of this activity Alcatel Lucent may cause damage to existing undersea infrastructure, for which Alcatel Lucent may ultimately be held responsible. • Alcatel Lucent is involved in lawsuits which, if determined against Alcatel Lucent, could require Alcatel Lucent to pay substantial damages. • Alcatel Lucent has been, and continues to be, involved in investigations concerning alleged violations of anticorruption laws, and has been, and could again be, subject to material fines, penalties and other sanctions as a result of such investigations. • If Alcatel Lucent fails to protect its intellectual property rights, its business and prospects may be harmed. • Alcatel Lucent is subject to intellectual property litigation and infringement claims, which could cause Alcatel Lucent to incur significant expenses or prevent it from selling certain products. • Alcatel Lucent is involved in significant joint ventures and is exposed to problems inherent to companies under joint management. • Alcatel Lucent is subject to environmental, health and safety laws that restrict its operations.
D.3	**Risks specific to the securities**	The risks relating to Nokia Shares, the Exchange Offer and the squeeze-out include the following factors: • Failure to obtain the Nokia Shareholder Approval and certain other circumstances may trigger significant termination fees for Nokia, and the failure to obtain the Nokia Shareholder Approval and other unfulfilled Conditions may cause the Exchange Offer not to be completed, which could have a material adverse effect

		on Nokia's business, financial condition, results of operations and the market price of Nokia Shares. • The exchange ratio of the Exchange Offer is fixed and will not be adjusted in case of any changes in the price of the relevant securities. Because the market price of Nokia Shares and Nokia ADSs fluctuates, holders of Alcatel Lucent Securities cannot be certain of the market value of the Nokia Shares or Nokia ADSs that will be issued in connection with the Exchange Offer. • The value of the Nokia Shares and the Nokia ADSs may decrease. • The issuance of Nokia Shares pursuant to the Exchange Offer could lead to the share price of Nokia Shares and Nokia ADSs being adversely affected. • Following the Exchange Offer, Nokia may be unable to successfully implement its business plans or successfully integrate Alcatel Lucent's business or achieve the targeted synergies and other efficiencies. • Nokia's anticipated benefits from acquiring Alcatel Lucent are based on estimates that are dependent on external factors, and may not be achieved within the envisioned timeframe or at all. • The Completion of the Exchange Offer would constitute a change of control of Alcatel Lucent which would give rise to an obligation to redeem some of Alcatel Lucent's existing indebtedness. • The completion of the transactions contemplated by the Exchange Offer would constitute a change of control of Alcatel Lucent which would give rise to an obligation to redeem all of the OCEANEs. • The Exchange Offer will trigger certain provisions contained in certain Alcatel Lucent agreements that may require Alcatel Lucent to make change of control payments or permit a counterparty to an agreement with Alcatel Lucent to terminate that agreement. • Nokia has not verified the reliability of the Alcatel Lucent information included in, or incorporated by reference into, this Listing Prospectus and, as a result, Nokia's estimates of the impact of Completion of the Exchange Offer on the pro forma financial information in this Listing Prospectus may be incorrect. • The unaudited pro forma condensed combined financial information in this Listing Prospectus is presented for illustrative purposes only and may differ materially from the operating results and financial condition of the Combined Company following completion of the pro forma events. • The Exchange Offer will affect the trading markets for any Alcatel Lucent Securities not acquired by Nokia and, as a result, their liquidity and market value could be adversely affected. • Alcatel Lucent shareholders will have a reduced ownership and voting interest in the Combined Company. • The issuance of additional Nokia Shares may dilute all other shareholdings. • Listing of Nokia Shares on Euronext Paris may not succeed as expected or the listing may not take place at all. • Some of Alcatel Lucent's directors and executive officers may have financial interests in the Exchange Offer that are different from or are in addition to those of holders of Alcatel Lucent Securities. • Holders of Nokia ADSs may not be able to exercise voting rights or receive distributions as readily as holders of Nokia Shares. • Upon a shareholder's receipt of Nokia Shares in the Exchange Offer, the shareholder of Alcatel Lucent will become a shareholder in Nokia, a Finnish corporation, which may change certain shareholder rights and privileges the shareholder holds as a shareholder of Alcatel Lucent, a French corporation. • Holders of Alcatel Lucent Securities may be forced to transfer their Alcatel Lucent Securities to Nokia if Nokia conducts a squeeze-out under French law or takes other steps to consolidate its ownership of Alcatel Lucent.

		• Any failure by Nokia to promptly complete the squeeze-out of the remaining outstanding Alcatel Lucent Securities could adversely affect the market value of the Nokia Shares and the Nokia ADSs, and Nokia may be unable to fully realize the anticipated benefits of the Exchange Offer. • Consummation of the Exchange Offer may result in adverse tax consequences to Nokia resulting from a change of ownership of Alcatel Lucent. • Certain shareholders may be unable to exercise their pre-emptive rights. • Future sales of Nokia Shares may depress the price of the Nokia Shares. • The amount of dividend and equity return distributed to shareholders for each financial period is uncertain.

Section E — Offer		
E.1	**Total proceeds and expenses**	Nokia will not receive any cash proceeds from the Exchange Offer. The total fees and expenses incurred by Nokia and its affiliates in connection with the Exchange Offer and listing of the Nokia Shares on Euronext Paris and listing of the newly issued Nokia Shares and Nokia ADSs on Nasdaq Helsinki and the NYSE, respectively, including fees and other costs related to external financial and legal advisors and of any other experts and consultants, as well as communication costs, are estimated to be in excess of EUR 110 million (excluding tax).
E.2a	**Reasons for the Exchange Offer, use of proceeds and estimated net amount of proceeds**	On April 15, 2015, Nokia and Alcatel Lucent entered into the Memorandum of Understanding pursuant to which and subject to its terms and conditions, Nokia is offering to acquire all of the Alcatel Lucent Securities through the Exchange Offer. The Exchange Offer will be conducted in order to combine the businesses of Nokia and Alcatel Lucent. The strategic rationale for combining the two companies includes: • creation of end-to-end portfolio scope and scale player with leading global positions across products, software and services to meet changing industry paradigms; • complementary offerings, customers and geographic footprint; • enhanced research and development capabilities creating an innovation powerhouse with significant combined R&D resources; • the recent execution track-record on both sides and common vision for the future; • the opportunity to realize significant cost savings and other synergies; and • the development of a robust capital structure and strong balance sheet. The Combined Company would target approximately EUR 900 million of operating cost synergies to be achieved on a full year basis in 2019, assuming Completion of the Exchange Offer no later than the end of the first half of 2016. The Combined Company would also target approximately EUR 200 million of reductions in interest expenses to be achieved on a full-year basis in 2017. Based on Nokia's and Alcatel Lucent's revenues for the year ended December 31, 2014, the share of revenues of the Combined Company generated in North America would have amounted to 30% (Nokia: 15%; Alcatel Lucent: 44%), in Europe 27% (Nokia: 31%; Alcatel Lucent: 23%), in Asia-Pacific/Japan/India 18% (Nokia: 26%; Alcatel Lucent: 10%), in Greater China 11% (Nokia: 11%; Alcatel Lucent: 10%), Middle East & Africa 8% (Nokia: 9%; Alcatel Lucent: 8%) and Latin America 7% (Nokia: 8%; Alcatel Lucent: 5%). The revenues of the Combined Company have been calculated by adding the respective Nokia and Alcatel Lucent country revenue amounts together. These combined revenue amounts should not be substituted for pro

		forma information presented elsewhere in this Listing Prospectus as this information has not been prepared on the same basis.
E.3	**Terms and conditions of the Exchange Offer**	Nokia is offering, subject to the terms and conditions of the Exchange Offer, to acquire all of the Alcatel Lucent Securities through the Exchange Offer whereby Alcatel Lucent Securities will be exchanged for Nokia Shares or Nokia ADSs. The Exchange Offer is comprised of the U.S. Offer and the French Offer. The U.S. Offer is being made pursuant to the Schedule TO ("Schedule TO") to all U.S. holders of outstanding Alcatel Lucent Shares, all holders of outstanding Alcatel Lucent ADSs, wherever located, and all U.S. holders of outstanding OCEANEs. For every Alcatel Lucent Share validly tendered into, and not withdrawn from, the U.S. Offer, holders of Alcatel Lucent Shares will receive 0.55 Nokia Shares. For every Alcatel Lucent ADS validly tendered into, and not withdrawn from, the U.S. Offer, holders of Alcatel Lucent ADSs will receive 0.55 Nokia ADSs. For every OCEANE validly tendered into, and not withdrawn from, the U.S. Offer, holders of Alcatel Lucent OCEANEs will receive such number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer. Holders of Alcatel Lucent ADSs located outside of the United States may participate in the U.S. Offer only to the extent the local laws and regulations applicable to those holders permit them to participate in the U.S. Offer. The French Offer to exchange 0.55 Nokia Shares for every Alcatel Lucent Share, and such number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer, will be made pursuant to the French Offer Document available to holders of Alcatel Lucent Shares and OCEANEs who are located in France. Holders of Alcatel Lucent Shares and OCEANEs who are located outside of France may not participate in the French Offer except if, pursuant to the local laws and regulations applicable to those holders, they are permitted to participate in the French Offer. The U.S. Offer is expected to commence on or about the same date as the French Offer following Nokia's filing of the Schedule TO with the SEC. The U.S. Offer and withdrawal rights for tenders of Alcatel Lucent Shares and OCEANEs into the U.S. Offer will expire at the Expiration Date[3]. The French Offer is expected to commence after the AMF approval of the French Offer, which is expected to be received prior to the Extraordinary General Meeting of Nokia Shareholders on December 2, 2015, and will remain open for a period of 25 French trading days, unless the French Offer is extended or terminated earlier in accordance with the AMF General Regulation. To the extent permitted by applicable rules and regulations of the AMF and the SEC and subject to the Memorandum of Understanding, Nokia expressly reserves the right to, at any time and from time to time: • terminate or amend the U.S. Offer (and not accept at expiration of the offer period any Alcatel Lucent Securities) upon the failure of any of the Conditions (as defined below);

[3] The U.S. Offer and withdrawal rights for tenders of Alcatel Lucent Shares and OCEANEs into the U.S. Offer will expire at the expiration date of the U.S. Offer (the "Expiration Date"), which date may be at the earliest 25 French trading days after the commencement of the French Offer, unless the U.S. Offer is extended.

		• prior to the expiration of the offer period of the French Offer, revoke the French Offer in accordance with the AMF General Regulation with the prior approval of the AMF if (i) the Exchange Offer becomes without purpose, or (ii) (A) Alcatel Lucent adopted measures which modify its substance during the offer period or in case the Exchange Offer is successful, or (B) the measures taken by Alcatel Lucent render the continuation of the Exchange Offer particularly onerous. The French Offer may be revoked until the expiration of the French Offer. The AMF General Regulation does not define under which circumstances an offer becomes without purpose or is substantially modified or is particularly onerous. The assessment is made by the AMF on a case-by-case basis. Revocation of the French Offer would likely have a material adverse effect on the U.S. Offer, including the likely failure of the Minimum Tender Condition; and • waive any Condition (as defined below) or otherwise amend the Exchange Offer in any respect, provided that, under the AMF General Regulation, Nokia may not amend the terms of the French Offer in a manner adverse to the shareholders and any amendment must be made no later than five French trading days prior to the expiration of the French Offer period and requires the prior approval of the AMF. A waiver of a material condition or any other material change to the U.S. Offer, if that waiver or change occurs ten or five U.S. business days, as applicable, prior to the date the U.S. Offer is scheduled to expire, may also require the extension of the U.S. Offer. Under the AMF General Regulation, if the Minimum Tender Condition[4] is waived by Nokia, the Exchange Offer will lapse if Nokia fails to cross the Mandatory Minimum Acceptance Threshold[5]. In addition, pursuant to the Memorandum of Understanding, Nokia cannot, without the prior written consent of Alcatel Lucent, amend, modify, supplement or waive any term of the Exchange Offer or Condition (as defined below), other than the Minimum Tender Condition, in a manner materially adverse to Alcatel Lucent or the holders of Alcatel Lucent Securities.

[4] "Minimum Tender Condition" refers to the number of Alcatel Lucent Securities validly tendered in accordance with the terms of the Exchange Offer representing, on the date of announcement by the AMF of the results of the French Offer taking into account the results of the U.S. Offer, more than 50% of the Alcatel Lucent Shares on a fully diluted basis. For purposes of the Minimum Tender Condition, the "fully diluted" Alcatel Lucent Shares will be calculated as follows:

- the numerator being the sum of (i) all Alcatel Lucent Shares (including Alcatel Lucent Shares represented by ADSs) validly tendered into the Exchange Offer as of the expiration date of the Exchange Offer period and (ii) all Alcatel Lucent Shares issuable upon conversion of the OCEANEs validly tendered into the Exchange Offer as of the expiration date of the Exchange Offer period taking into account the relevant OCEANEs' conversion ratio applicable on the date of expiration date of the Exchange Offer period; and
- the denominator being the sum of (i) all Alcatel Lucent Shares issued and outstanding (including Alcatel Lucent Shares represented by ADSs) as of the expiration date of of the Exchange Offer period and (ii) all Alcatel Lucent Shares issuable at any time prior to, on or after the expiration date of the Exchange Offer period upon the exercise of any outstanding options, warrants, convertible securities or rights to purchase, subscribe or be allocated, newly issued Alcatel Lucent Shares, including upon conversion of the OCEANEs (taking into account the relevant OCEANEs' conversion ratio applicable on the expiration date of the Exchange Offer), exercise of Alcatel Lucent Stock Options or acquisition of Alcatel Lucent Performance Shares.

[5] "Mandatory Minimum Acceptance Threshold" refers to a number of Alcatel Lucent Shares representing more than 50% of the Alcatel Lucent share capital or voting rights, taking into account, if necessary, the Alcatel Lucent Shares resulting from the conversion of the OCEANEs validly tendered into the Exchange Offer. Mandatory Minimum Acceptance Threshold would be calculated as follows:

- the numerator being the sum of (i) all Alcatel Lucent Shares validly tendered into the Exchange Offer (including Alcatel Lucent Shares represented by Alcatel Lucent ADSs) as of the expiration date of the Exchange Offer period and (ii) all Alcatel Lucent Shares issuable upon conversion of the OCEANEs validly tendered into the Exchange Offer as of the expiration date of the Exchange Offer period, taking into account the relevant OCEANE's conversion ratio applicable on the expiration date of such Exchange Offer, and (iii) all treasury shares held by Alcatel Lucent as well as the Alcatel Lucent Shares held by its subsidiaries; and
- the denominator being the sum of (i) all Alcatel Lucent Shares issued and outstanding (including Alcatel Lucent Shares represented by Alcatel Lucent ADSs) as of the expiration date of the Exchange Offer period and (ii) all Alcatel Lucent Shares issuable upon conversion of the OCEANEs validly tendered into the Exchange Offer as of the expiration date of the Exchange Offer period, taking into account the relevant OCEANE's conversion ratio applicable on the expiration date of the Exchange Offer.

		A subsequent offering period is an additional period of time after Nokia has acquired Alcatel Lucent Securities in the Exchange Offer during which holders may tender, but not withdraw, Alcatel Lucent Securities and receive the Exchange Offer consideration. Pursuant to the Memorandum of Understanding, and according to Article 232-4 of the AMF General Regulation, if more than 50% but less than 95% of the share capital and voting rights of Alcatel Lucent have been tendered in and not withdrawn from the Exchange Offer, there will be a subsequent offering period for the French Offer. Under the AMF General Regulation, the subsequent offering period for the French Offer will begin no later than ten French trading days following the publication by the AMF of the results of the French Offer (taking into account the results of the U.S. Offer) and must last at least ten French trading days. Pursuant to the Memorandum of Understanding, Nokia has agreed to ensure that, subject to applicable law, the period during which the U.S. Offer is open corresponds to the period during which the French Offer is open (including subsequent offering periods in relation to the French Offer). If a subsequent offering period is provided, Nokia will publicly announce the results of the Exchange Offer, including the approximate number and percentage of Alcatel Lucent Securities tendered to date, no later than nine French trading days after the expiration of the Exchange Offer period and will thereafter begin the subsequent offering period in accordance with AMF General Regulation. Nokia expressly reserves the right in its sole discretion to conduct a subsequent offering period for the U.S. Offer either to match the subsequent offering period of the French Offer or otherwise. Nokia also expressly reserves the right, in is sole discretion, to extend the subsequent offering period for the U.S. Offer by giving oral or written notice to the U.S. exchange agent. Alcatel Lucent ADSs tendered into the U.S. Offer can be withdrawn at any time prior to the ADS Tender Deadline[6]. Alcatel Lucent Shares or OCEANEs tendered for exchange may be withdrawn at any time prior to the Expiration Date. However, these withdrawal rights will not be available following the expiration of the U.S. Offer and prior to the commencement of the subsequent offering period, if any. In addition, subject to satisfaction of all Conditions other than the Minimum Tender Condition, these withdrawal rights will not be available during the period that the securities tendered into the Exchange Offer are being counted. Nokia's obligation to accept, and to exchange, any Alcatel Lucent Securities validly tendered into the Exchange Offer will be subject only to: • the satisfaction of the Minimum Tender Condition or, if waived by Nokia in its sole discretion, the crossing of the Mandatory Minimum Acceptance Threshold; and • the receipt of the Nokia Shareholder Approval[7]; collectively referred to as the "Conditions" and each a "Condition". Nokia will determine questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of Alcatel Lucent Securities, in Nokia's sole discretion, and Nokia's determination shall be final and binding. Nokia reserves the absolute right to reject any and all tenders of Alcatel Lucent Securities that Nokia determines are not in proper form or the acceptance of or exchange for which may be unlawful. Nokia also reserves the absolute right to waive any defect or irregularity in the tender of any Alcatel Lucent Securities of any particular holder, whether or not similar defects or irregularities are waived in the case of other holders.

[6] The ADS tender deadline for validly tendering and withdrawing Alcatel Lucent ADSs in the U.S. Offer will expire on the U.S. business day immediately preceding the Expiration Date, unless the U.S. Offer is extended (the "ADS Tender Deadline").

[7] "Nokia Shareholder Approval" refers to Nokia shareholders having approved the authorization for the Nokia Board of Directors to issue such number of new Nokia Shares as may be necessary for delivering the Nokia Shares offered in consideration for the Alcatel Lucent Securities tendered into the Exchange Offer and for the Completion of the Exchange Offer.

		No tender of Alcatel Lucent Securities will be deemed to have been validly made until all defects and irregularities in tenders of Alcatel Lucent Securities will have been cured or waived. None of Nokia, the U.S. exchange agent nor any other person will be under any duty to give notification of any defects or irregularities in the tender of any Alcatel Lucent Securities, and none of them will incur any liability for failure to give any such notification. Nokia's interpretation of the terms of the Exchange Offer and Conditions, including the letter of transmittal and instructions thereto, will be final and binding. The AMF will announce the results of the French Offer, taking into account the results of the U.S. Offer, no later than nine French trading days following the expiration of the French Offer period and, if applicable, the expiration of the subsequent offering period. In addition, Nokia will also announce the results of the Exchange Offer and, if applicable, the subsequent offering period by means of a public announcement to be issued on the date of announcement of the results by the AMF. In addition, notice will be posted on Nokia's website at www.nokia.com. The information on Nokia's website is not a part of this Listing Prospectus and is not incorporated by reference herein. If the Conditions to accept, and to exchange, any Alcatel Lucent Securities validly tendered into the Exchange Offer have been satisfied or, if applicable, waived, the Offered Shares and Nokia ADSs, which will be delivered to those holders of Alcatel Securities that have tendered their Alcatel Lucent Securities into the Exchange Offer, will be delivered approximately five French trading days following the announcement of the results of the French Offer by the AMF, in accordance with the applicable Finnish, French and U.S. rules and regulations. No fractional Nokia Shares or Nokia ADSs will be issued by Nokia in the context of the Exchange Offer, including during the subsequent offering period. Holders of Alcatel Lucent Securities who tender in the Exchange Offer, including during the subsequent offering period, a number of Alcatel Lucent Securities which does not entitle them to a whole number of new Nokia Shares or Nokia ADSs, will be considered as having expressly agreed to participate in the mechanism to resell new fractional Nokia Shares or ADSs. The Nokia Shares (including the Nokia Shares represented by Nokia ADSs) to be issued in the U.S. Offer and the French Offer will be created by means of an issuance of new ordinary Nokia Shares. In order to settle the Exchange Offer, it is contemplated that the General Meeting of Shareholders of Nokia will resolve to authorize the Nokia Board of Directors to issue new Nokia Shares in deviation from the shareholders' pre-emptive rights as consideration to the holders of Alcatel Lucent Securities who have tendered their Alcatel Lucent Securities into the Exchange Offer, and that the Nokia Board of Directors will make a resolution to issue new Nokia Shares based on the authorization by the General Meeting of Shareholders (and register such issuance of new shares with the Finnish Trade Register on settlement). After a successful Completion of the Exchange Offer, Nokia is expected to own between 50% and 100% of Alcatel Lucent. As a result, Nokia will be in a position to exert influence over the strategic, operating and financial policies of Alcatel Lucent. If the squeeze-out is implemented, Nokia's ownership of Alcatel Lucent would increase to 100% and Nokia would be entitled to all benefits resulting from that ownership, including all income generated by Alcatel Lucent's operations and any future increase in Alcatel Lucent's value and the right to elect all members of the Alcatel Lucent Board of Directors. Similarly, Nokia would also bear the risk of losses generated by Alcatel Lucent's operations and any decrease in the value of Alcatel Lucent after such an acquisition.
E.4	**Material interests**	Nokia retained Société Générale as presenting bank (banque présentatrice) for the French Offer and Nokia's financial advisor in connection with the Exchange Offer, and certain of its affiliates have in the past provided, and may in the future provide, financial advisory or financing services to Nokia and its affiliates and have received,

		and may receive in the future, fees for rendering these services. Nokia will pay the presenting bank reasonable and customary compensation for its services in addition to reimbursing the presenting bank for its reasonable out-of-pocket expenses. The address of the presenting bank is Société Générale, Corporate Finance, 75886 Paris Cedex 18, France. Nokia retained Citibank, N.A. to act as the U.S. exchange agent to receive and hold Alcatel Lucent ADSs validly tendered into, and not withdrawn from, the U.S. Offer, for the benefit of Nokia. Nokia will pay the U.S. exchange agent reasonable and customary compensation for its services in connection with the U.S. Offer, will reimburse the U.S. exchange agent for its reasonable out-of-pocket expenses and will indemnify the U.S. exchange agent against certain liabilities and expenses. Citibank, N.A. depositary offices are located at 388 Greenwich Street, 14th Floor, New York, NY 10013, United States. Nokia retained Georgeson as information agent in the United States in connection with the Exchange Offer. The information agent may contact holders of Alcatel Lucent Securities by mail, telephone or other means and may request that brokers, dealers, commercial banks, trust companies and other nominees who hold Alcatel Lucent Securities on behalf of beneficial owners of these Alcatel Lucent Securities, forward material relating to the Exchange Offer to such beneficial owners. Nokia will pay the information agent reasonable and customary compensation for these services in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Nokia has agreed to indemnify the information agent against certain liabilities and expenses in connection with the Exchange Offer, including certain liabilities under the U.S. federal securities laws. Nokia retained Nordea Bank as Finnish issuer agent for issuing Nokia Shares in the Finnish book-entry system. Nokia will pay the issuer agent reasonable and customary compensation for its services in addition to reimbursing the issuer agent for its reasonable out-of-pocket expenses. Nordea Bank's head office is located at Aleksanterinkatu 36, FI-00100 Helsinki, Finland. Nokia retained JP Morgan as its financial advisor. JP Morgan delivered a fairness opinion to the Board of Directors of Nokia in connection with the Exchange Offer and may perform advisory and consulting services for Nokia. For its role as Nokia's financial advisor, Nokia will pay JP Morgan reasonable and customary compensation in addition to reimbursing JP Morgan's reasonable out-of-pocket expenses. Nokia retained Brunswick as an advisor for the announcement and execution of the transaction, receiving assistance in the creation and distribution of communications materials to institutional and individual shareholders, and external audiences including the media and public sector. Nokia will pay Brunswick reasonable and customary compensation for these services in addition to reimbursing Brunswick for its reasonable out-of-pocket expenses. Nokia has agreed that a part of the remuneration of some of the above-mentioned banks and advisors is success-based. The total amount of such success fees amounts to approximately EUR 12.5 million.
E.5	**Names of persons offering to sell / Lock-up agreements**	Not applicable.
E.6	**Dilution**	After closing of the Exchange Offer and assuming that all Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any, former holders of Alcatel Lucent Securities are expected to own approximately 33.5% of the issued and outstanding Nokia Shares on a fully diluted basis.

E.7	**Estimated expenses charged to the investor**	Not applicable; no expenses will be directly charged to investors by Nokia in respect of the Exchange Offer. Nokia has agreed with Citibank, N.A., Nokia's ADS depositary, that, if the Exchange Offer is successful, the ADS depositary will not charge any ADS issuance fees for the issuance of new Nokia ADSs upon deposit of Nokia Shares for a period of thirty calendar days beginning on the U.S. business day following the settlement of the subsequent offering period or, if there is no subsequent offering period, the settlement of the Exchange Offer. Pursuant to this arrangement, existing and new holders of Nokia Shares would, subject to compliance with the terms of the Nokia ADS deposit agreement, be able to convert their Nokia Shares into Nokia ADSs during such period without any ADS issuance fees.

TIIVISTELMÄ

Tiivistelmät koostuvat sääntelyn edellyttämistä tiedoista, joita kutsutaan nimellä ”osatekijät”. Nämä osatekijät on numeroitu jaksoittain A—E (A.1—E.7). Tämä tiivistelmä sisältää kaikki ne osatekijät, jotka kyseessä olevista arvopapereista ja niiden liikkeeseenlaskijasta tulee esittää tiivistelmässä. Osatekijöiden numerointi ei välttämättä ole juokseva, koska kaikkia osatekijöitä ei ole tarpeen esittää. Vaikka arvopaperin tai liikkeeseenlaskijan luonne edellyttäisi jonkin osatekijän sisällyttämistä tiivistelmään, on mahdollista, ettei kyseistä osatekijää koskevaa merkityksellistä tietoa ole lainkaan. Tällöin osatekijä on kuvattu tiivistelmässä lyhyesti ja sen yhteydessä mainitaan ”ei sovellu”.

Kaikki tämän osion lausunnot koskien Nokian tai Yhdistyneen Yhtiön[1] *kilpailuasemaa perustuvat Nokian johdon käsitykseen, ellei muutoin ole nimenomaisesti todettu.*

Osakkeenomistajien ja potentiaalisten sijoittajien tulisi huomata, että kaikki Alcatel Lucentia koskeva tässä Listalleottoesitteessä[2] *ja erityisesti liitteessä A esitetty tieto perustuu ainoastaan julkisista lähteistä saatavilla olevaan Alcatel Lucentia koskevaan tietoon, joka on sisällytetty Alcatel Lucentin vuosikertomukseen*[3] *ja Alcatel Lucentin osavuosikatsaukseen*[4]*, jotka Alcatel Lucent on jättänyt Yhdysvaltojen arvopaperimarkkinaviranomaiselle. Nokia vahvistaa, että tämä tieto on toistettu täsmällisesti ja että siltä osin kuin Nokia on tietoinen ja pystyy varmistamaan, Alcatel Lucentin julkaisemasta tiedosta ei ole jätetty pois sellaisia faktoja, jotka tekisivät toistetusta tiedosta epätarkkaa tai harhaanjohtavaa.*

Jakso A — Johdanto ja varoitukset		
A.1	**Varoitus**	Tätä tiivistelmää on pidettävä Listalleottoesitteen johdantona. Arvopapereita koskeva sijoituspäätös on tehtävä perustuen Listalleottoesitteeseen kokonaisuutena. Jos tuomioistuimessa pannaan vireille Listalleottoesitteeseen sisältyviä tietoja koskeva kanne, kanteen nostanut sijoittaja voi sovellettavan lainsäädännön mukaan joutua ennen oikeudenkäynnin vireillepanoa vastaamaan Listalleottoesitteen käännöskustannuksista. Nokia Oyj (”Nokia” tai ”Yhtiö”) vastaa siviilioikeudellisesti tästä tiivistelmästä vain, jos tiivistelmä on harhaanjohtava, epätarkka tai epäjohdonmukainen suhteessa Listalleottoesitteen muihin osiin tai siinä ei anneta yhdessä Listalleottoesitteen muiden osien kanssa keskeisiä tietoja sijoittajien auttamiseksi, kun he harkitsevat sijoittamista Nokian liikkeeseenlaskemiin arvopapereihin.
A.2	**Tiedot, jotka on annettava liikkeeseen-laskijan tai Listalleotto-esitteen laatimisesta vastaavan henkilön**	Ei sovellu.

[1] ”Yhdistynyt Yhtiö” tarkoittaa Nokiaa ja Alcatel Lucentia yhdessä Osakevaihtotarjouksen (määritelty jäljempänä) toteuttamisen jälkeen.

[2] ”Listalleottoesite” viittaa tähän Finanssivalvonnan hyväksymään esitteeseen, joka on laadittu enintään 2 100 000 000 uuden Nokia Oyj:n osakkeen listaamiseksi Nasdaq Helsingin pörssilistalle ja kaikkien Alcatel Lucentin arvopaperien haltijoille tarjottavien osakkeiden ja kaikkien Nokian osakkeiden ottamiseksi kaupankäynnin kohteeksi Euronext Parisin listalle ja sille listaamiseksi, sekä julkisen osakevaihtotarjouksen yhteydessä Ranskassa, mitä varten Listalleottoesite tullaan notifioimaan Ranskan arvopaperimarkkinaviranomaiselle.

[3] "Alcatel Lucentin vuosikertomus" viittaa Yhdysvaltojen arvopaperimarkkinaviranomaiselle 24.3.2015 jätetyssä Form 20-F -asiakirjassa olevaan Alcatel Lucentin vuosikertomukseen 31.12.2014 päättyneeltä tilikaudelta, yhdessä Ranskan arvopaperimarkkinaviranomaiselle 20.3.2015 numerolla D. 15-0179 jätetyssä Alcatel Lucentin document de reference -asiakirjassa esitettyjen lisätietojen kanssa.

[4] "Alcatel Lucentin osavuosikatsaus" viittaa Yhdysvaltojen arvopaperimarkkinaviranomaiselle 5.8.2015 jätetyssä Form 6-K -asiakirjassa olevaan Alcatel Lucentin osavuosikatsaukseen 30.6.2015 päättyneeltä jaksolta.

	suostumuksesta rahoituksenvälit-täjien käyttöön	

Jakso B — Liikkeeseenlaskija		
B.1	**Virallinen ja kaupallinen toiminimi**	**Nokia** Yhtiön virallinen ja kaupallinen toiminimi on Nokia Oyj. Yhtiön rinnakkaistoiminimiä ovat englanniksi Nokia Corporation ja ruotsiksi Nokia Abp. **Alcatel Lucent** Alcatel Lucentin virallinen toiminimi on Alcatel Lucent. Alcatel Lucentin kaupallinen toiminimi on Alcatel-Lucent.
B.2	**Kotipaikka/ oikeudellinen muoto/lain-säädäntö/ perustamismaa**	**Nokia** Nokian kotipaikka on Helsinki, Suomi. Nokia on Suomessa perustettu julkinen osakeyhtiö, johon sovelletaan Suomen lakia. **Alcatel Lucent** Alcatel Lucent on ranskalainen osakeyhtiö (société anonyme), joka on perustettu vuonna 1898 Compagnie Générale d'Électricité -nimisenä pörssiyhtiönä. Alcatel Lucent on rekisteröity Nanterren kauppa- ja yritysrekisteriin numerolla 542 019 096. Alcatel Lucentiin sovelletaan kaikkia yritystoimintaa koskevia Ranskan lakeja, erityisesti kauppalakia sekä rahoitus- ja varainhoitolakia. Alcatel Lucentin pääkonttori on osoitteessa 148/152 Route de la Reine 92100 Boulogne-Billancourt, Ranska.
B.3	**Tämänhetkinen toiminta ja päätoimialat**	**Nokia** Nokialla on tällä hetkellä kolme liiketoimintaa: verkkoinfrastuktuurin ohjelmistoihin, laitteisiin ja palveluihin keskittyvä Nokia Networks, kartta- ja sijaintipalveluihin keskittyvä HERE ja teknologiakehitykseen ja lisensointiin keskittyvä Nokia Technologies. Kolmen liiketoimintansa kautta Nokia on maailmanlaajuisesti toimiva yritys: sillä on toimintoja sekä tutkimus- ja kehitysyksiköitä Euroopassa, Pohjois-Amerikassa ja Aasiassa, myyntiä noin 140 maassa ja noin 64 000 työntekijää. Nokia myös sijoittaa merkittäviä summia tutkimus- ja kehitystoimintaan: kolmen liiketoiminnan yhteenlasketut tutkimus- ja kehitysmenot olivat yli 2,5 miljardia euroa vuonna 2014. *Nokia Networks* on johtava toimija mobiiliverkkojen markkinoilla, joille se tuottaa hyvin monenlaisia tuotteita verkko-operaattorien verkoissaan käyttämistä laitteistoista verkkojen sujuvaa toimintaa tukeviin ohjelmistoratkaisuihin sekä palveluita, jotka liittyvät langattomien verkkojen suunnitteluun, optimointiin, toteutukseen, käyttöön ja päivittämiseen. *HERE* on johtava eri näytöille ja käyttöjärjestelmille soveltuvien karttojen ja sijaintipalveluiden toimittaja ja pyrkii tuottamaan mahdollisimman tarkkaa ja ajan tasalla olevaa karttasisältöä, jota voi käyttää useilla eri laitteilla ja käyttöjärjestelmillä. *Nokia Technologies* kehittää ja lisensoi huippuluokan innovaatioita, jotka vauhdittavat tietoliikenne- ja mobiilialan seuraavaa vallankumousta. Nokia Technologies on johtava innovoija keskeisimmissä teknologioissa, jotka

		mahdollistavat ohjelmoitavan maailman[5], missä kaikki asiat ja ihmiset ovat yhteydessä toisiinsa. Nokia Technologies laajentaa Nokian menestyksekästä patenttilisensointiohjelmaa ja lisensoi kehittämiään teknologioita asiakkailleen, jotta nämä voivat luoda entistä parempia tuotteita. Nokia tiedotti 3.8.2015 solmineensa sopimuksen kartta- ja sijaintipalveluja tarjoavan HERE-liiketoimintansa myymisestä johtavien autonvalmistajien yhteenliittymälle, johon kuuluvat AUDI AG, BMW Group ja Daimler AG ("HERE-kauppa"). Kaupan odotetaan toteutuvan vuoden 2016 ensimmäisellä neljänneksellä, ja sen toteutuminen edellyttää tavanomaisten ehtojen täyttymistä sekä viranomaislupien saamista. HERE-kaupan toteuttamisen jälkeen ja olettaen, että Osakevaihtotarjousta[6] ei ole vielä saatettu loppuun, Nokialla on kaksi liiketoimintaa: Nokia Networks ja Nokia Technologies. HERE-kauppa ei vaikuta Osakevaihtotarjouksessa käytettävään vaihtosuhteeseen. Tällä hetkellä odotetaan, että Osakevaihtotarjouksen päättymisen jälkeen Nokian verkkoliiketoiminta käsittäisi neljä liiketoimintaryhmää: Mobile Networks, Fixed Networks, Applications & Analytics ja IP/Optical Networks. Nämä liiketoimintaryhmät keskittyisivät tuotteisiin, ohjelmistoihin ja palveluihin, joiden avulla uusi Yhdistynyt Yhtiö pystyisi tarjoamaan asiakkaille johtavia uuden sukupolven verkkoratkaisuja. Lisäksi Nokia Technologies jatkaisi toimintaansa erillisenä liiketoimintana. Kaikilla liiketoimintaryhmillä ja Nokia Technologies -liiketoiminnalla tulisi olemaan strateginen, toiminnallinen ja taloudellinen vastuu omista tuotteistaan ja ne olisivat vastuussa tavoitteidensa saavuttamisesta. Neljällä verkkoliiketoiminnan liiketoimintaryhmällä tulisi olemaan yhteinen integraatioon ja muutokseen keskittyvä toiminto, joka keskittyisi synergioihin ja integraatiotoiminnan johtamiseen. Liiketoimintaryhmien ja Nokia Technologies -liiketoiminnan johtajat raportoisivat suoraan Nokian toimitusjohtajalle: • Mobile Networks (MN) -liiketoimintaryhmään tulisivat sisältymään Nokian ja Alcatel Lucentin kattava radiotuotevalikoima ja pääosa yhdistyneestä runkoverkkotuotevalikoimasta mukaan lukien IMS/VoLTE ja tilaajatiedon hallintajärjestelmät sekä langattomien verkkojen palveluliiketoiminta. Mobile Networks -liiketoimintaryhmään kuuluisi lisäksi Alcatel Lucentin mikroaaltoliiketoiminta sekä yhdistyneen yhtiön kaikki verkonhallintapalvelut. Näiden toimintojen yhdistämisellä Mobile Networks -liiketoimintaryhmä tarjoaisi johtavia langattomien verkkojen kokonaisratkaisuja nykyisille ja uusille alustoille sekä täyden valikoiman asiantuntijapalveluita ja tuotteisiin liittyviä palveluita; • Fixed Networks (FN) -liiketoimintaryhmään tulisi sisältymään Alcatel Lucentin nykyinen kiinteiden verkkojen liiketoiminta, jonka uusimpia innovaatioita ja markkina-asemaa tukisi tiivis yhteistyö muiden liiketoimintaryhmien kanssa. Fixed Networks -liiketoimintaryhmä tarjoaisi kupari- ja kuitupohjaisia tuotteita ja palveluita, jotka mahdollistavat asiakkaille ultra-laajakaistan kokonaisratkaisuja verkkojen kehittämiseksi hyödyntämällä kuitua mahdollisimman taloudellisesti kannattavasti; • Applications & Analytics (A&A) -liiketoimintaryhmä tulisi koostumaan molempien yhtiöiden ohjelmistoihin ja data-analytiikkaan liittyvistä liiketoiminnoista. Tähän kattavaan sovellusvalikoimaan sisältyisi

[5] Nokian tulevaisuuden visio; maailma, jossa yhteydet laajenevat valtavasti ja jossa ihmiset ja sadat miljardit fyysiset esineet—kuten autot, kodinkoneet, älypuhelimet, puettavat laitteet, teollisuuslaitteet ja terveydentarkkailulaitteet—ovat yhteydessä toisiinsa. Ohjelmoitava maailma eroaa esineiden internetistä siinä, että tieto on älykästä. Ihmiset voivat tulkita ja käyttää tietoa sen sijaan, että tietoa pelkästään tallennettaisiin.

[6] Nokia tarjoutuu ostamaan kaikki Alcatel Lucentin liikkeeseen laskemat osakkeet ja osakkeisiin oikeuttavat arvopaperit Ranskassa ja Yhdysvalloissa tehtävillä julkisilla osakevaihtotarjouksilla. Termillä "Osakevaihtotarjous" viitataan Ranskan osakevaihtotarjoukseen ja Yhdysvaltojen osakevaihtotarjoukseen yhdessä.

asiakaskokemuksen hallinta, operaattorien toimintaa tukevat järjestelmät kuten palveluiden laadun hallinta ja provisiointi, käytännöt ja laskutus, palvelut, pilvipalveluiden perusjärjestelmät, hallinta ja orkestrointi, viestintä ja yhteistyö, turvallisuusratkaisut, verkkoanalytiikka, laitehallinta sekä esineiden internetin mahdollistavat yhteydenhallinnan alustat. CloudBand-yksikkö sisältyisi lisäksi tähän liiketoimintaryhmään, joka keskittyisi innovointiin vastatakseen tulevaisuuden tarpeisiin yhä vahvemmin pilvipohjaisissa verkoissa;

- IP/Optical Networks (ION) -liiketoimintaryhmän tulisivat muodostamaan nykyinen Alcatel Lucentin IP-reititys, optiset siirtojärjestelmät ja IP video -liiketoiminnot, ohjelmisto-ohjattujen verkkojen alueella toimiva start-up -yritys Nuage sekä Nokian IP-partnerointitoiminta ja pakettivälitteiset tuotteet. IP/Optical Networks -liiketoimintaryhmä jatkaisi Alcatel Lucentin teknologiajohtajuuden edistämistä rakentaen laajamittaista IP-/optista infrastruktuuria sekä palveluntarjoajille että enenevässä määrin suuria tietomääriä käsitteleville ja teknologiaan keskittyville yritysasiakkaille;
- Nokia Technologies (TECH) säilyisi erillisenä liiketoimintana selkeänä painopistealueenaan uusien teknologioiden lisensointi ja niiden hautomotoiminta. Nokia Technologies -liiketoiminnalla olisi jatkossakin omat innovaatio-, tuotekehitys ja go-to-market -toiminnot.

Nokia suunnittelee muuttavansa taloudellisen raportointirakenteensa siten, että Yhtiöllä olisi jatkossa kaksi avainaluetta: Nokia Technologies ja verkkoliiketoiminta. Verkkoliiketoimintaan sisältyisivät Mobile Networks-, Fixed Networks-, Applications & Analytics- ja IP/Optical Networks -liiketoimintaryhmät. Nokia suunnittelee lisäksi julkistavansa selektiivistä taloudellista tietoa erikseen kaikkien neljän verkkoliiketoimintaryhmän osalta varmistaakseen sijoittajille näkyvyyden Yhtiön kaikkien osien suoritukseen.

Alcatel Lucent

Alcatel Lucentilla on tällä hetkellä kaksi liiketoimintasegmenttiä: Core Networking ja Access. Maaliskuuhun 2014 asti Alcatel Lucentilla oli kolmas liiketoimintasegmentti: Other. Core Networking -segmentti sisältää kolme liiketoimintadivisioonaa: IP Routing, IP Transport ja IP Platforms. IP Routing -divisioona keskittyy tarjoamaan IP-reititysinfrastruktuurilaitteita, ja päätuoteryhmät tässä divisioonassa ovat: Internet Protocol/Multiprotocol Label Switching (IP/MPLS) -reitittimet, operaattoreiden Ethernet pääsy- ja yhdistymiskytkimet/-reitittimet, Service Aggregation -reitittimet, Service Aware Management, Content Delivery Networks (CDN) ja Software Defined Networking (SDN). IP Transport -divisioonan tuotteisiin kuuluvat maanpäälliset valokuitulaitteet, merenalaiset tietoliikennekaapeliverkostot ja mikroradioaaltoyhteystuotteet. IP Platforms -portfolio tarjoaa järjestelmälaitteita, ohjelmistoalustoja ja sovelluksia, jotka auttavat tietoliikennepalvelujen tarjoajia, erittäin suuria yhtiöitä ja koko internetissä toimivia yhtiöitä tarjoamaan kehittyneitä IP-yhteyksiä, optimoimaan verkkojaan ja toimintaansa, parantamaan asiakaskokemusta ja hyödyntämään uusia palveluja kaupallisesti. Access-segmentti sisältää neljä liiketoimintadivisioonaa: Wireless, Fixed Access, Licensing ja Managed Services. Wireless-divisioonan pääasialliset toiminnot keskittyvät 4G/LTE overlay -ratkaisujen, 3G/4G ja monistandardisten small cell -ratkaisujen toimittamiseen ja niihin liittyviin asiantuntijapalveluihin. Alcatel Lucentin wireless access -portfolio pitää sisällään myös 2G/3G -langattomia tuotteita ja niihin liittyviä asiantuntijapalveluja sekä Alcatel Lucentin Radio Frequency Systems (RFS) -portfolion. Alcatel Lucentin Fixed Access -divisioona suunnittelee ja kehittää kiinteissä yhteyksissä käytettäviä tuotteita, joiden avulla palveluntarjoajat voivat tarjota ultralaajakaistayhteyksiä digitaalisten liittymien (DSL) ja valokuituyhteyksien kautta. Licensing-divisioonan strategiana on lisensoida patentteja aktiivisesti tuottojen saamiseksi. Alcatel Lucentin Managed

		Services -divisioona toimittaa innovatiivisia ratkaisuja sekä operaattoreille että strategisille toimialoille. Other-segmentti käsitti vuoteen 2014 asti viranomaisliiketoiminnan, joka rakensi ja toimitti Yhdysvalloissa kokonaisratkaisuja Yhdysvaltain liittovaltion viranomaisten käyttöön. Alcatel Lucent saattoi päätökseen mainittuja ratkaisuja tuottaneen LGS Innovations LLC:n myynnin 31.3.2014. Alcatel Lucentilla on yksi laajimmista tuote- ja palvelutarjontaportfolioista televiestintälaitteiden ja niihin liittyvien palveluiden markkinoilla, sekä operaattori- että ei-operaattorimarkkinoille. Alcatel Lucent toimii lukuisissa maissa ja myy käytännössä kaikkia tuotteitaan ja palvelujaan maailman suurimmille televiestintäalan palveluntarjoajille.
B.4a	**Merkittävimmät viimeaikaiset suuntaukset**	**Verkkolaitemarkkinat** Verkkolaitemarkkinoihin viime vuosina vaikuttaneita tärkeimpiä suuntauksia ovat olleet datapalvelujen lisääntynyt käyttö ja tästä aiheutunut tietoliikenteen jyrkkä kasvu, joka on johtanut tehokkaiden, laadukkaiden ja luotettavien verkkojen kasvaneeseen tarpeeseen. Tiedonsiirron jatkuva kasvu on pakottanut operaattorit muuttamaan liiketoimintamallinsa äänikeskeisestä datakeskeiseen malliin. Tästä johtuen operaattorien liikevaihto on pysynyt muuttumattomalla tasolla ja marginaaleihin on kohdistunut painetta, ja niin operaattoreiden, verkkolaitteiden kuin verkkopalvelujen toimittajien keskuudessa vallitsee kasvava tarve sille, että operaattorit ottavat käyttöön uusia teknologioita ja lisäävät tehokkuutta. Kustannusten alentamispyrkimysten lisäksi operaattorit haluavat parantaa ketteryyttään uusilla Telco Cloud[7]- ja virtuaaliverkkoteknologioilla. Operaattoreiden tarve löytää paikkansa uudessa ekosysteemissä on laukaissut konsolidoitumisen aallon, jota edistävät operaattoreiden tarpeet saavuttaa laajuutta ja tarjota laajempaa palvelujen kirjoa, erityisesti lanka- ja matkapuhelinverkkojen yhdentymispalveluja. Nokian ja Alcatel Lucentin liikevaihtoon vaikuttaa verkko-operaattoreiden hankintojen kausivaihtelu: liikevaihto on yleensä viimeisellä vuosineljänneksellä suurempi kuin seuraavan vuoden ensimmäisellä neljänneksellä. Toimialan tavanomaisen kausivaihtelun lisäksi suurten verkkohankkeiden toteutuksissa esiintyy normaaleja huippuja ja hiljaisia jaksoja. **HERE** Laitteiden välisten yhteyksien lisääntyminen on yleinen suuntaus, joka tarjoaa mahdollisuuksia paikkatietopalveluille tämän kehityksen kulmakivenä. Lisäksi autoteollisuus vaikuttaa merkittävästi HEREn liikevaihtoon, minkä seurauksena yleinen taloustilanne ja sen vaikutus uusien autojen myyntiin ovat tärkeitä tekijöitä HEREn tulevan menestyksen kannalta. Myös autojen navigointijärjestelmien ja -palvelujen yleistyminen on tärkeä tekijä. **Teknologiat/lisensointi** Immateriaalioikeuksien (”IPR”) suojaamisen ja lisensoinnin merkitys on kasvanut, ja tämän suuntauksen odotetaan jatkuvan. Uudet sopimukset vaativat yleensä pitkiä neuvotteluja ja mahdollisesti oikeudenkäyntejä tai välimiesmenettelyjä, minkä seurauksena niiden ajoituksen ja lopputuloksen ennustaminen voi olla vaikeaa. Patenttilisenssisopimusten rakenteen vuoksi maksuja saatetaan suorittaa pitkin aikavälein ja osittain takautuvasti, ja lisenssisopimusten kesto voi vaihdella. Lisäksi patentoitujen innovaatioiden suojaamisen ja lisensoinnin helppoudessa on selviä alueellisia eroja.

[7] Pilvipalveluiden, ohjelmisto-ohjattujen verkkoratkaisujen (SDN, Software Defined Networking) ja virtuaalisten verkkotoiminteiden (NFV, Network Functions Virtualization) käyttö tietoliikenneympäristössä, esim. sovellusohjelmien erottaminen laitteistosta automaattisilla, ohjelmoitavilla rajapinnoilla täyttäen samalla tietoliikenteelle asetetut vaatimukset, kuten korkea käytettävyys ja pienet siirtoviiveet.

B.5 **Konserni**

Nokia

Nokia on Nokia-konsernin emoyhtiö. Nokian merkittävät tytäryhtiöt 30.6.2015 olivat:

Yhtiön nimi	Perustamismaa ja toimipaikka	Konsernin omistusosuus %
Nokia Solutions and Networks B.V.	Haag, Alankomaat	100.0
Nokia Solutions and Networks Oy	Helsinki, Suomi	100.0
Nokia Solutions and Networks US LLC	Delaware, Yhdysvallat	100.0
Nokia Solutions and Networks Japan Corp.	Tokio, Japani	100.0
Nokia Solutions and Networks India Private Limited	New Delhi, Intia	100.0
Nokia Solutions and Networks System Technology (Beijing) Co., Ltd.	Peking, Kiina	100.0
Nokia Solutions and Networks Branch Operations Oy	Helsinki, Suomi	100.0
Nokia Solutions and Networks Korea Ltd.	Soul, Etelä-Korea	100.0
Nokia Solutions and Networks Taiwan Co. Ltd	Taipei, Taiwan	100.0
Nokia Solutions and Networks Technology Service Co., Ltd.	Peking, Kiina	100.0
HERE Holding Corporation	Delaware, Yhdysvallat	100.0
HERE Global B.V.	Veldhoven, Alankomaat	100.0
HERE Europe B.V.	Veldhoven, Alankomaat	100.0
HERE North America LLC	Delaware, Yhdysvallat	100.0
HERE Deutschland GmbH	Berliini, Saksa	100.0
Nokia Finance International B.V.	Haarlem, Alankomaat	100.0
Nokia Technologies Oy	Helsinki, Suomi	100.0

Alcatel Lucent

Alcatel Lucent on Alcatel Lucent -konsernin emoyhtiö. Alcatel Lucentin merkittävät tytäryhtiöt 30.6.2015 olivat:

Yhtiön nimi	Perustamismaa ja toimipaikka	Konsernin omistus-osuus %
Alcatel-Lucent Australia Limited	Australia	100.0
Alcatel-Lucent Austria AG	Itävälta	100.0
Alcatel-Lucent Bell NV	Belgia	100.0
Alcatel-Lucent Brasil S/A	Brasilia	100.0
Alcatel-Lucent Canada Inc.	Kanada	100.0
Alcatel-Lucent Deutschland AG	Saksa	100.0
Alcatel-Lucent España S.A.	Espanja	100.0
Alcatel-Lucent India Limited	Intia	100.0
Alcatel-Lucent International	Ranska	100.0
Alcatel-Lucent Italia S.p.A.	Italia	100.0
Alcatel-Lucent Mexico S.A. de C.V.	Meksion	100.0
Alcatel-Lucent Nederland B.V.	Alankomaat	100.0
Alcatel-Lucent Polska Sp Z.o.o.	Puola	100.0
Alcatel-Lucent Portugal, S.A.	Portugali	100.0
Alcatel-Lucent Schweiz AG	Sveitsi	100.0
Alcatel-Lucent Shanghai Bell Co., Ltd[1]	Kiina	50.0
Alcatel-Lucent Submarine Networks	Ranska	100.0
Alcatel-Lucent Telecom Limited	Iso-Britannia	100.0
Alcatel-Lucent USA Inc.	Yhdysvallat	100.0
Alcatel-Lucent Holdings Inc.	Yhdysvallat	100.0
Alcatel-Lucent Participations	Ranska	100.0
Alda Marine	Ranska	100.0
Coralec	Ranska	100.0
Florelec	Ranska	100.0
Electro Banque	Ranska	100.0
Electro Ré	Luxemburg	100.0

[1] Yhtiö on täysin Alcatel Lucent -konsernin hallinnassa osuudella 50 % ja yksi osake.

B.6

Suurimmat osakkeenomistajat

Nokia

Seuraavassa taulukossa on esitetty 10 suurinta Nokian osakkeenomistajaa, jotka on rekisteröity Suomeen ja jotka on merkitty Euroclear Finland Oy:n ylläpitämään Nokian osakasluetteloon 20.10.2015, sekä niiden osuudet Nokian osakkeiden tuottamasta äänimäärästä.

Osakkeenomistaja	**Osakemäärä yhteensä**	**% kaikista osakkeista**	**% äänimäärästä[1]**
1. Keskinäinen Työeläkevakuutusyhtiö Varma	80 722 106	2,19	2,23
2. Keskinäinen Eläkevakuutusyhtiö Ilmarinen	28 893 982	0.79	0.80
3. Valtion Eläkerahasto	25 600 000	0,70	0,71
4. Schweizerische Nationalbank	24 132 730	0,66	0,67
5. Keskinäinen Työeläkevakuutusyhtiö Elo	15 200 000	0,41	0,42
6. Svenska Litteratursällskapet i Finland rf	14 312 880	0.39	0.39
7. Nordea Pankki Suomi Oyj	11 536 309	0.31	0,31
8. Folketrygdfondet	11 352 542	0,31	0,31
9. Nordea Suomi Fund	10 854 000	0,30	0,30
10. Keva (Kuntien Eläkevakuutus)	10 004 071	0,27	0,28
Yhtiön hallussa olevat omat osakkeet	53 232 002	1,45	0,00
Muut	3 392 801 269	92,23	93,58
Yhteensä	**3 678 641 891**	**100**	**100**

[1] Yhtiön hallussa olevia omia osakkeita ei oteta huomioon laskettaessa osuuksia äänimäärästä.

Nokian 24.10.2014 tekemän arvopaperimarkkinalain 9 luvun 10 pykälän mukaisen ilmoituksen mukaan BlackRock, Inc:n määräysvallassa olevien yritysten hallinnoimien Nokia-omistusten määrä, joka koostuu osakkeista ja Nokian liikkeeseenlaskemasta vaihtovelkakirjalainasta, oli yhteensä 187 784 314 osaketta, joka tänä ajankohtana vastasi noin 5,01 % Nokian koko osake- ja äänimäärästä. Nokian tiedossa ei ole, että joku muu osakkeenomistaja hallitsisi yli viittä prosenttia Nokian osakepääomasta tai äänioikeuksista.

Nokian tiedossa ei ole yhtään osakkeenomistajaa, jolla olisi arvopaperimarkkinalain 2 luvun 4 pykälän mukainen määräysvalta Yhtiössä. Jokainen osake oikeuttaa haltijansa yhteen ääneen Nokian yhtiökokouksissa.

Alcatel Lucent

Seuraavassa taulukossa on esitetty Alcatel Lucentin osakepääoman ja äänien jakautuminen 30.6.2015.

	Pääoma 30.6.2015 liikkeellä olleiden osakkeiden perusteella			**TEOREETTISET äänimäärät 30.6.2015 liikkeellä olleiden osakkeiden perusteella[2]**		**YHTIÖKOKOUKSESSA KÄYTETTÄVISSÄ OLEVAT äänimäärät 30.6.2015 liikkeellä olleiden osakkeiden perusteella[3]**	
Osakkeenomistajat	**Osakemäärä yhteensä**	**% osakepääomasta**	**Kaksinkertaiset äänet**	**Äänimäärä yhteensä**	**% äänimäärästä**	**Äänimäärä yhteensä**	**% äänimäärästä**
The Capital Group Companies, Inc.	281 970 300	9,95%	-	281 970 300	9,81%	281 970 300	9,95%
Odey Asset Management, LLP	139 392 500	4,92%	-	139 392 500	4,85%	139 392 500	4,92%
BlackRock Inc.	114 609 500	4,04%	-	114 609 500	3,99%	114 609 500	4,04%
Caisse des Dépôts et Consignations[1]	101 498 600	3,58%	8 243 622	109 742 222	3,82%	109 742 222	3,87%
DNCA	85 074 900	3,00%	-	85 074 900	2,96%	85 074 900	3,00%
Aviva Plc	56 354 800	1,99%	-	56 354 800	1,96%	56 354 800	1,99%
Amundi	42 737 400	1,51%	-	42 737 400	1,49%	42 737 400	1,51%
FCP 2AL	32 778 404	1,16%	32 708 499	65 486 903	2,28%	65 486 903	2,31%
Muut institutionaaliset sijoittajat Ranskassa[4]	1 129 716 700	39,86%	-	1 129 716 700	39,29%	1 129 716 700	39,84%

Alcatel Lucentin hallussa olevat omat osakkeet[5]	27 110 113	0,96%	-	27 110 113	0,94%	-	-
Tytär-yhtiöiden hallussa olevat Alcatel Lucentin osakkeet[5]	13 006 408	0,46%	-	13 006 408	0,45%	-	-
Yleisö	810 210 667	28,58%	-	810 210 667	28,18%	810 210 667	28,58%
Yhteensä	**2 834 460 292**	**100%**	**40 952 121**	**2 875 412 413**	**100%**	**2 835 295 892**	**100%**

[1] Sisältäen BPI Participations Francen hallussa olevat osakkeet.
[2] Teoreettiset äänioikeudet sisältävät Yhtiön ja sen tytäryhtiöiden hallussa olevat osakkeet, joilla ei ole äänioikeuksia.
[3] Yhtiökokouksessa käytettävissä olevat äänioikeudet eivät sisällä osakkeita, joilla ei ole äänioikeuksia.
[4] Muut institutionaaliset sijoittajat Ranskassa, joiden hallussa on kullakin yksin enemmän kuin 0,50 % osakepääomasta.
[5] Näillä osakkeilla ei ole äänioikeuksia soveltuvan Ranskan lain mukaan, kun ne ovat yhtiön itsensä hallussa.

Alcatel Lucentin ja Ranskan arvopaperimarkkinaviranomaisen Ranskan kauppakaaren L. 233-7 artiklaan perustuvan ilmoituksen mukaan:

- Odey Asset Management LLP, toimien hallinnoimiensa rahastojen puolesta, ilmoitti, että se alitti 2.7.2015 5 %:n rajan osakepääomasta ja äänioikeuksista Alcatel Lucentissa, ja että sillä oli kyseisenä päivänä hallussaan 139 392 474 Alcatel Lucentin Osaketta edustaen 4,92 % osakepääomasta ja 4,48 % äänioikeuksista Alcatel Lucentissa.
- The Capital Group Companies Inc. ilmoitti, että se alitti 8.7.2015 10 %:n rajan äänioikeuksista Alcatel Lucentissa, ja että sillä oli kyseisenä päivänä hallussa 285 687 380 Alcatel Lucentin Osaketta edustaen 10,08 % osakepääomasta ja 9,92 % äänioikeuksista Alcatel Lucentissa.
- The Capital Group Companies Inc. ilmoitti, että se alitti 9.7.2015 10 %:n rajan osakepääomasta Alcatel Lucentissa, ja että sillä oli kyseisenä päivänä hallussaan 281 970 368 Alcatel Lucentin Osaketta edustaen 9,95 % osakepääomasta ja 9,79 % äänioikeuksista Alcatel Lucentissa.

B.7 **Valikoidut historialliset keskeiset taloudelliset tiedot**

Nokia

Seuraavissa taulukoissa on esitetty Nokian valikoituja konsolidoituja taloudellisia tietoja. Esitetyt tiedot perustuvat Listalleottoesitteeseen viittaamalla sisällytettyihin Nokian konsernitilinpäätöksiin 31.12.2014, 31.12.2013 ja 31.12.2012 päättyneiltä vuosilta ja niiden liitetietoihin sekä tilintarkastamattomaan osavuosikatsaukseen 30.6.2015 päättyneeltä kuuden kuukauden jaksolta, ja tässä esitettyjä taloudellisia tietoja tulee tarkastella yhdessä niiden kanssa. Valikoidut historialliset konsernin tuloslaskelma- ja rahavirtatiedot 31.12.2014, 31.12.2013 ja 31.12.2012 päättyneiltä vuosilta sekä konsernitasetiedot 31.12.2014, 31.12.2013 ja 31.12.2012 perustuvat Nokian tilintarkastettuihin konsernitilinpäätöksiin, jotka on laadittu IFRS-tilinpäätösstandardien (”IFRS”) mukaisesti. Valikoidut historialliset konsernin tuloslaskelma- ja rahavirtatiedot 30.6.2015 ja 30.6.2014 päättyneiltä kuuden kuukauden jaksoilta sekä konsernitasetiedot 30.6.2015 perustuvat Nokian tilintarkastamattomaan osavuosikatsaukseen 30.6.2015 päättyneeltä kuuden kuukauden jaksolta, joka on laadittu IFRS:n mukaisesti.

Nokia julkisti syyskuussa 2013 myyvänsä olennaisilta osin koko Devices & Services -liiketoimintansa Microsoftille. Ylimääräisen yhtiökokouksen hyväksyttyä myynnin marraskuussa 2013 Nokia-konserni on raportoinut Devices & Services -liiketoiminnan lopetettuna toimintana. Myynti saatettiin päätökseen 25.4.2014. Vuoden 2013 konsernituloslaskelmassa Devices & Services -liiketoiminnan taloudellinen tulos on esitetty lopetetuissa toiminnoissa erillään jatkuvista toiminnoista. Vuoden 2012 tuloslaskelmatiedot on oikaistu vastaavasti. Nokia otti 1.1.2013 käyttöön uudistetun IAS 19 -standardin (Työntekijöiden maksusuoritukset). Tämä vaikutti eläkevastuiden nettomäärään ja muuhun laajaan tulokseen pääasiassa putkimenetelmän takautuvan eliminoinnin kautta, ja taloudelliset tiedot vuodelta 2012 on oikaistu vastaavasti. Tämän vuoksi seuraavissa taulukoissa esitetyt oikaistut tiedot vuodelta 2012 ovat tilintarkastamattomia.

Nokia julkisti 3.8.2015 solmineensa sopimuksen kartta- ja sijaintipalveluja tarjoavan HERE-liiketoimintansa myynnistä johtavien autonvalmistajien yhteenliittymälle, johon kuuluvat AUDI AG, BMW Group ja Daimler AG. HERE on raportoitu osana Nokian jatkuvia toimintoja konsolidoiduissa taloudellisissa tiedoissa 31.12.2014, 31.12.2013 ja 31.12.2012 päättyneiltä vuosilta sekä 30.6.2015 päättyneeltä kuuden kuukauden jaksolta.

		1.1.–31.12.		**1.1.–30.6.**	
	2014	**2013**	**2012**	**2015**	**2014**
	(tilintar-kastettu)	**(tilintar-kastettu)**	**(tilintar-kasta-maton)**	**(tilintarkastamaton)**	
KONSERNIN TULOSLASKELMA	*(milj. EUR, paitsi osakemäärä ja osakekohtainen tulos)*			*(milj. EUR, paitsi osakemäärä ja osakekohtainen tulos)*	
Liikevaihto	**12 732**	**12 709**	**15 400**	**6 405**	**5 606**
Hankinnan ja valmistuksen kulut	-7 094	-7 364	-9 841	-3 512	-3 099
Bruttokate	**5 638**	**5 345**	**5 559**	**2 892**	**2 506**
Tutkimus- ja kehityskulut	-2 493	-2 619	-3 081	-1 354	-1 169
Myynnin ja hallinnon kulut	-1 634	-1 671	-2 062	-875	-766
Liikearvon arvonalentumiset	-1 209	-	-	0	0
Liiketoiminnan muut tuotot ja kulut	-131[1]	-536[2]	-1237[3]	81	-45
Liikevoitto/-tappio	**170**	**519**	**-821**	**745**	**526**
Osuus osakkuusyhtiöiden tuloksista	-12	4	-1	14	-6
Rahoitustuotot ja -kulut	-395	-280	-357	-49	-335
Voitto/tappio ennen veroja	**-237**	**243**	**-1 179**	**710**	**185**
Tuloverotuotot/-kulut	1 408	-202	-304	-177	-102
Jatkuvien toimintojen voitto/tappio	**1 171**	**41**	**-1 483**	**533**	**84**
Jakautuminen:					
Emoyhtiön osakkeenomistajille	1 163	186	-771	531	80
Määräysvallattomille omistajille	8	-145	-712	2	4
Lopetettujen toimintojen voitto/tappio	**2 305**	**-780**	**-2 303**	**-7**	**2 198**
Jakautuminen:					
Emoyhtiön osakkeenomistajille	2 299	-801	-2 334	-7	2 192
Määräysvallattomille omistajille	6	21	31	0	6
Tilikauden voitto/tappio	**3 476**	**-739**	**-3 786**	**526**	**2 282**
Jakautuminen:					
Emoyhtiön osakkeenomistajille	3 462	-615	-3 105	524	2 272
Määräysvallattomille omistajille	14	-124	-681	2	10
Osakekohtainen tulos					
Laimentamaton, EUR					
Jatkuvat toiminnot	0,31	0,05	-0,21	0,15	0,02
Lopetetut toiminnot	0,62	-0,22	-0,63	0,00	0,59
Tilikauden voitto/tappio	0,94	-0,17	-0,84	0,14	0,61
Laimennettu, EUR					
Jatkuvat toiminnot	0,30	0,05	-0,21	0,14	0,02
Lopetetut toiminnot	0,56	-0,22	-0,63	0,00	0,52
Tilikauden voitto/tappio	0,85	-0,17	-0,84	0,14	0,54
Osakkeita keskimäärin (1 000 osaketta)					
Laimentamaton					
Jatkuvat toiminnot	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523

Lopetetut toiminnot	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Tilikauden voitto/tappio	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Laimennettu					
Jatkuvat toiminnot	4 131 602	3 733 364	3 710 845	3 952 185	3 732 608
Lopetetut toiminnot	4 131 602	3 712 079	3 710 845	3 952 185	4 254 600
Tilikauden voitto/tappio	4 131 602	3 712 079	3 710 845	3 952 185	4 254 600

[1] Sisältää ”Liiketoiminnat muut tuotot” 136 miljoonaa euroa ja ”Liiketoiminnat muut kulut” -268 miljoonaa euroa.
[2] Sisältää ”Liiketoiminnat muut tuotot” 272 miljoonaa euroa ja ”Liiketoiminnat muut kulut” -808 miljoonaa euroa.
[3] Sisältää ”Liiketoiminnat muut tuotot” 276 miljoonaa euroa ja ”Liiketoiminnat muut kulut” -1 513 miljoonaa euroa.

		1.1.–31.12.		**1.1.–30.6.**	
	2014	**2013**	**2012**	**2015**	**2014**
	(tilintar-kastettu)	**(tilintar-kastettu)**	**(tilintar-kasta-maton)**	**(tilintarkastamaton)**	
KONSERNIN LAAJA TULOSLASKELMA		*(milj. EUR)*		*(milj. EUR)*	
Tilikauden voitto/tappio	**3 476**	**-739**	**-3 786**	**526**	**2 282**
Muut laajan tuloksen erät					
Erät, joita ei siirretä tulosvaikutteisiksi:					
Etuuspohjaisten eläkejärjestelyjen uudelleenarvostus	-275	83	-228	104	-130
Tuloverot eristä, joita ei siirretä tulosvaikutteisiksi	96	-3	22	-29	-14
Erät, jotka siirretään myöhemmin tulosvaikutteisiksi:					
Muuntoerot	820	-496	41	427	178
Nettosijoituksen suojaus	-167	114	-58	-161	-3
Rahavirtojen suojaus	-30	3	-41	3	-41
Available-for-sale -sijoitukset	106	49	35	71	4
Muut lisäykset, netto	40	5	10	2	40
Tuloverot eristä, jotka siirretään myöhemmin tulosvaikutteisiksi	16	1	12	31	-37
Muut laajan tuloksen erät verojen jälkeen	**606**	**-244**	**-207**	**448**	**-3**
Laaja tulos	**4 082**	**-983**	**-3 993**	**974**	**2 279**
Laajan tuloksen jakautuminen:					
Emoyhtiön omistajille	4 061	-863	-3 281	968	2 273
Määräysvallattomille omistajille	21	-120	-712	6	6
	4 082	**-983**	**-3 993**	**974**	**2 279**
Emoyhtiön omistajille kuuluvan laajan tuloksen jakautuminen:					
Jatkuvat toiminnot	1 563	34	-831	975	-120
Lopetetut toiminnot	2 498	-897	-2 450	-7	2 393
	4 061	**-863**	**-3 281**	**968**	**2 273**
Määräysvallattomille omistajille kuuluvan laajan tuloksen jakautuminen:					
Jatkuvat toiminnot	16	-139	-740	6	3
Lopetetut toiminnot	5	19	28	0	3
	21	**-120**	**-712**	**6**	**6**

	31.12.			30.6.
	2014 (tilintar-kastettu)	2013 (tilintar-kastettu)	2012 (tilintar-kasta-maton)	2015 (tilintar-kastamaton)
KONSERNITASE		*(milj. EUR)*		*(milj. EUR)*
VASTAAVAA				
Liikearvo	2 563	3 295	4 876	2 783
Muut aineettomat hyödykkeet	350	296	647	341
Aineelliset hyödykkeet	716	566	1 431	786
Osuudet osakkuusyhtiöissä	51	65	58	69
Available-for-sale -sijoitukset	828	741	689	1 018
Laskennalliset verosaamiset	2 720	890	1 279	2 721
Pitkäaikaiset lainasaamiset	34	96	125	48
Ennakkomaksut eläkkeistä[1]	30	38	152	29
Muut pitkäaikaiset saamiset[1]	47	61	66	43
Pitkäaikaiset varat	**7 339**	**6 048**	**9 323**	**7 837**
Vaihto-omaisuus	1 275	804	1 538	1 368
Myyntisaamiset, oikaistuna arvonalentumiskirjauksilla	3 430	2 901	5 551	3 602
Siirtosaamiset ja ennakkomaksut	913	660	2 682	944
Tuloverosaamiset	124	146	495	200
Lyhytaikainen osuus pitkäaikaisista lainasaamisista	1	29	35	2
Muut rahoitusvarat	266	285	451	121
Käypään arvoon tulos-vaikutteisesti kirjattavat sijoitukset, likvidit varat	418	382	415	570
Available-for-sale -sijoitukset, likvidit varat	2 127	956	542	2 065
Rahavarat[2]	5 170	7 633	8 952	3 983
Lyhytaikaiset varat	**13 724**	**13 796**	**20 661**	**12 855**
Myytävänä olevat aineelliset hyödykkeet	-	89	-	0
Myytävänä olevien lopetettujen toimintojen varat	-	5 258	-	-
Vastaavaa yhteensä	**21 063**	**25 191**	**29 984**	**20 693**
VASTATTAVAA				
Emoyhtiön omistajille kuuluva oma pääoma				
Osakepääoma	246	246	246	246
Ylikurssirahasto	439	615	446	401
Omat osakkeet hankintamenoon	-988	-603	-629	-731
Muuntoerot	1 099	434	746	1 395
Arvonmuutosrahasto	22	80	(5)	168
Sijoitetun vapaan oman pääoman rahasto	3 083	3 115	3 136	3 081
Kertyneet voittovarat	4 710	2 581	3 997	4 359
Emoyhtiön omistajille kuuluva oma pääoma	**8 611**	**6 468**	**7 937**	**8 919**
Määräysvallattomille omistajille kuuluva osuus	58	192	1 302	59
Oma pääoma yhteensä	**8 669**	**6 660**	**9 239**	8 979
Pitkäaikaiset korolliset velat	2 576	3 286	5 087	2 685
Laskennalliset verovelat	32	195	701	75
Myynnin jaksotukset ja muut pitkäaikaiset velat	2 197	630	997	2 001
Varaukset	301	242	304	259
Pitkäaikainen vieras pääoma	5 106	4 353	7 089	5 019
Lyhytaikainen osuus pitkä-aikaisista korollisista veloista	1	3 192	201	1
Lyhytaikaiset velat	115	184	261	102
Muut lyhytaikaiset rahoitus-velat	174	35	90	122
Tuloverovelat	481	484	499	484
Ostovelat	2 313	1 842	4 394	1 919

Siirtovelat, myynnin jaksotukset ja muut velat	3 632	3 033	6 223	3 560
Varaukset	572	680	1 988	507
Lyhytaikainen vieras pääoma	7 288	9 450	13 656	6 695
Myytävänä olevien lopetettujen toimintojen velat	0	4 728	-	0
Vastattavaa yhteensä	**21 063**	**25 191**	**29 984**	**20 693**

[1] Aikaisemmin rivillä ”Muut pitkäaikaiset varat” raportoidut ennakkomaksut eläkkeistä on esitetty erikseen 30.6.2015 alkaen, ja aikaisemmilta jaksoilta esitetyt tiedot on oikaistu vastaavasti.
[2] ”Rahavarat” ja ”Available-for-sale -sijoitukset, likvidit varat” on esitetty yhdellä rivillä ”Rahavarat” 30.6.2015 alkaen, ja aikaisemmilta jaksoilta esitetyt tiedot on oikaistu vastaavasti.

	1.1.–31.12.			**1.1.–30.6.**	
	2014	**2013**	**2012**	**2015**	**2014**
	(tilintarkastettu)			**(tilintarkastamaton)**	
KONSERNIN RAHAVIRTALASKELMA	*(milj. EUR)*			*(milj. EUR)*	
Liiketoiminnan nettorahavirta	1 275	72	-354	-457	652
Investointien nettorahavirta	886	-691	562	-244	1 171
Rahoitustoimintojen nettorahavirta	-4 576	-477	-465	-522	-2 786
Muuntoero-oikaisu	-48	-223	-27	36	-59
Rahavarojen lisäys/vähennys	-2 463	-1 319	-284	-1 187	-1 022
Rahavarat tilikauden alussa	7 633	8 952	9 236	5 170	7 633
Rahavarat tilikauden lopussa	5 170	7 633	8 952	3 983	6 611

Tunnusluvut

	1.1.–31.12.			**1.1.–30.6.**	
	2014	**2013**	**2012**	**2015**	**2014**
	(tilintarkastamaton)			**(tilintarkastamaton)**	
31.12. Jatkuvat toiminnot Osakekohtainen tulos (emoyhtiön omistajille kuuluvasta voitosta)					
Osakekohtainen tulos, laimentamaton, EUR	0,31[1]	0,05[1]	-0,21	0,15	0,02
Osakekohtainen tulos, laimennettu, EUR	0,30[1]	0,05[1]	-0,21	0,14	0,02
P/E-luku, laimentamaton	21,16	116,00	neg.	40,60	276,50
Osakekohtainen osinko, EUR	0,14	0,37	0	N/A	N/A
Osingot, milj. EUR	511	1 374	0	N/A	N/A
Osingonjakosuhde, laimentamaton	0,45	7,40	0	N/A	N/A
Osinkotuotto, %	2,13	6,36	0	N/A	N/A
Osakekohtainen oma pääoma, milj. EUR	2,36	1,74	2,14	2,46	1,96
Osakekannan markkina-arvo, milj. EUR	23 932	21 606	10 873	22 070	20 539

[1] Osakekohtaiset tulokset (laimennettu ja laimentamaton) 31.12.2014 ja 31.12.2013 päättyneiltä vuosilta on tilitarkastettu.

Marraskuussa 2011 Nokia Networks tiedotti strategiastaan keskittyä mobiiliverkkoihin ja -palveluihin. Se tiedotti myös laajasta globaalista uudelleenjärjestelyohjelmasta, joka lopulta johti sen vuosittaisten operatiivisten kulujen ja tuotantokulujen laskuun yli 1,5 miljardilla eurolla, kun ohjelma saatiin päätökseen vuoden 2013 lopussa. Osana strategiaansa keskittyä mobiiliverkkoihin, Nokia Networks myös luopui useasta ei-ydinliiketoiminnasta.

Vuodesta 2013 eteenpäin Nokia toteutti useita transaktioita muuttaakseen liiketoimintaportfoliotaan. 1.7.2013 Nokia tiedotti sopimuksesta, jolla se osti Siemensiltä sen 50 % osuuden yhtiöiden yhteisyrityksestä Nokia Siemens Networksista. Ostohinta oli 1,7 miljardia euroa ja kauppa toteutettiin 7.8.2013. Nokia tiedotti 3.9.2013, että se oli allekirjoittanut sopimuksen myydäkseen Devices & Services -liiketoimintansa Microsoftille yhteensä 5,44 miljardin euron hintaan, josta

3,79 miljardia liittyivät Devices & Services -liiketoiminnan myyntiin ja 1,65 miljardia liittyivät molemminpuoleiseen patenttilisenssisopimukseen. Transaktion yhteydessä Nokia perusti Nokia Technologies -liiketoiminnan, joka keskittyisi teknologian kehitykseen ja immateriaalioikeusaktiviteetteihin. Transaktio vahvisti merkittävästi Yhtiön taloudellista asemaa, ja transaktion jälkeen vuonna 2014 Nokia aloitti pääomarakenteen optimoinnin ja aloitti uudelleen osingonjaon, jakoi ylimääräistä pääomaa osakkeenomistajille ja vähensi korollista velkaansa.

15.4.2015 Nokia jatkoi muutostaan tiedottamalla, että se oli allekirjoittanut sopimuksen Alcatel Lucentin ostamisesta Osakevaihtotarjouksella tarjoamalla 0,55 uutta Nokian osaketta jokaisesta Alcatel Lucentin osakkeesta. Tiedotteen yhteydessä Nokia julkisti, että se on siitä hetkestä lähtien keskeyttänyt pääomarakenteen optimointiohjelmansa. 3.8.2015 Nokia tiedotti solmineensa sopimuksen HERE-liiketoimintansa myymisestä johtavien autonvalmistajien yhteenliittymälle ja arvioi saavansa hieman yli 2,5 miljardin euron nettotuoton.

Alcatel Lucent

Seuraavissa taulukoissa on esitetty Alcatel Lucentin valikoituja konsolidoituja taloudellisia tietoja. Esitetyt tiedot perustuvat Listalleottoesitteen liitteessä A esitettyihin Alcatel Lucentin konsernitilinpäätökseen 31.12.2014 päättyneeltä vuodelta ja sen liitetietoihin sekä tilintarkastamattomaan osavuosikatsaukseen 30.6.2015 päättyneeltä kuuden kuukauden jaksolta ja Listalleottoesitteeseen viittaamalla sisällytettyihin Alcatel Lucentin konsernitilinpäätöksiin 31.12.2013 ja 31.12.2012 päättyneiltä vuosilta ja niiden liitetietoihin, ja tässä esitettyjä taloudellisia tietoja tulee tarkastella yhdessä niiden kanssa. Valikoidut historialliset konsernin tuloslaskelma- ja rahavirtatiedot 31.12.2014, 31.12.2013 ja 31.12.2012 päättyneiltä vuosilta sekä konsernitasetiedot 31.12.2014, 31.12.2013 ja 31.12.2012 perustuvat Alcatel Lucentin tilintarkastettuihin konsernitilinpäätöksiin, jotka on laadittu IFRS:n mukaisesti. Valikoidut historialliset konsernin tuloslaskelma- ja rahavirtatiedot 30.6.2015 ja 30.6.2014 päättyneiltä kuuden kuukauden jaksoilta sekä konsernitasetiedot 30.6.2015 perustuvat Alcatel Lucentin tilintarkastamattomaan osavuosikatsaukseen 30.6.2015 päättyneeltä kuuden kuukauden jaksolta, joka on laadittu IFRS:n mukaisesti.

Alcatel Lucentin helmikuussa 2014 saaman sitovan tarjouksen jälkeen Alcatel Lucent saattoi 30.9.2014 loppuun 85 % osuuden myynnin sen Enterprise-liiketoiminnasta China Huaxinille, saaden käteisvoittoa 205 miljoonaa euroa. Tämän kaupan seurauksena Enterprise-liiketoiminnan tuloksia 31.12.2014 päättyneeltä vuodelta kohdeltiin lopetettuina toimintoina ja 31.12.2013 ja 31.12.2012 päättyneet vuodet on uudelleen esitetty vastaavasti.

	1.1.–31.12.			**1.1.–30.6.**	
	2014	**2013[1]**	**2012**	**2015**	**2014**
	(tilintarkastettu)			**(tilintarkastamaton)**	
KONSERNIN TULOSLASKELMA	*(milj. EUR, paitsi per osaketieto)*			*(milj. EUR, paitsi per osaketieto)*	
Liikevaihto	**13 178**	**13 813**	**13 764**	**6 685**	**6 242**
Hankinnan ja valmistuksen kulut	-8 770	-9 491	-9 753	-4 364	-4 218
Bruttokate	**4 408**	**4 322**	**4 011**	**2 321**	**2 024**
Myynnin ja hallinnon kulut	-1 621	-1 862	-2 161	-864	-792
Tutkimus- ja kehityskulut	-2 215	-2 268	-2 330	-1 213	-1 090
Liikevoitto/-tappio ennen rakennemuutoskuluja, oikeudenkäyntikuluja, konserniyhtiöiden myyntivoittoja/-tappioita, arvonalentumisia ja eläkejärjestelyjen muutoksia	**572**	**192**	**-480**	**244**	**142**
Rakennemuutoskulut	-574	-518	-479	-191	-342
Oikeudenkäyntikulut	7	-2	2	-19	4
Konserniyhtiöiden myyntivoitot/-tappiot	20	2	11	-8	-19

	2014	2013	2012	2015	2014
Arvonalentumiset	-	-548	-894	-	-
Eläkejärjestelyjen muutokset	112	135	204	-1	-
Liikevoitto/-tappio	**137**	**-739**	**-1 636**	**25**	**-215**
Rahoituskulut	-291	-392	-279	-135	-154
Muut rahoitustuotot/-kulut	-211	-318	-394	-7	-118
Osuus tytäryhtiöiden ja yhteisyritysten nettotuloksista	15	7	5	1	7
Voitto/tappio ennen veroja ja lopetettuja toimintoja	**-350**	**-1 442**	**-2 304**	**-116**	**-480**
Tuloverotuotot/-kulut	316	173	-423	-6	92
Jatkuvien toimintojen voitto/tappio	**-34**	**-1 269**	**-2 727**	**-122**	**-388**
Lopetettujen toimintojen voitto/tappio	-49	-25	639	-14	19
Tilikauden voitto/tappio	**-83**	**-1 294**	**-2 088**	**-136**	**-369**
Jakautuminen:					
Emoyhtiön osakkeenomistajille	**-118**	**-1 304**	**-2 011**	**-126**	**-371**
Määräysvallattomille omistajille	35	10	-77	-10	2
Osakekohtainen tulos, EUR[2]					
Laimentamaton osakekohtainen tulos:					
Jatkuvat toiminnot	-0,02	-0,53	-1,11	-0,04	-0,14
Lopetetut toiminnot	-0,02	-0,01	0,27	-0,01	0,01
Emoyhtiön osakkeenomistajille kuuluva osuus	-0,04	-0,54	-0,84	-0,05	-0,13
Laimennettu osakekohtainen tulos:					
Jatkuvat toiminnot	-0,02	-0,53	-1,11	-0,04	-0,14
Lopetetut toiminnot	-0,02	-0,01	0,22	-0,01	0,01
Emoyhtiön osakkeenomistajille kuuluva osuus	-0,04	-0,54	-0,84	-0,05	-0,13

[1] Vuosien 2013 ja 2012 luvut on oikaistu lopetettujen toimintojen vaikutusten perusteella.
[2] Alcatel Lucent korotti osakepääomaansa vuonna 2013 tarjoamalla merkintäetuoikeuksia osakkeenomistajilleen, ja laimentamattomaan ja laimennettuun osakekohtaiseen tulokseen on tehty vastaavat oikaisut takautuvasti. Osakkeiden lukumäärä on oikaistu osakemäärän suhteellisen muutoksen perusteella.

	1.1.–31.12.			1.1.–30.6.	
	2014	**2013**	**2012**	**2015**	**2014**
		(tilintarkastettu)		**(tilintarkastamaton)**	
KONSERNIN LAAJA TULOSLASKELMA		*(milj. EUR)*		*(milj. EUR)*	
Tilikauden voitto/tappio	**-83**	**-1 294**	**-2 088**	**-136**	**-369**
Erät, jotka siirretään myöhemmin tulosvaikutteisiksi:	**510**	**-221**	**-4**	**340**	**44**
Available-for-sale -sijoitukset	8	11	16	-	3
Muuntoerot	503	-232	-34	339	39
Rahavirtojen suojaus	-1	-	14	1	2
Omaan pääomaan suoraan kirjattaviin eriin liittyvät verot	-	-	-	-	-
Erät, joita ei siirretä tulosvaikutteisiksi:	**-1 568**	**1 411**	**71**	**404**	**-94**
Vakuutusmatemaattiset voitot/ tappiot ja oikaisut, jotka johtuvat omaisuuserän enimmäismäärän rajoittamisesta ja IFRIC 14 -tulkinnasta	-1 822	1 667	172	426	33
Omaan pääomaan suoraan kirjattaviin eriin liittyvät verot	254	-256	-101	-22	-127
Tilikauden muu laaja tulos	**-1 058**	**1 190**	**67**	**744**	**-50**
Tilikauden laaja tulos	**-1 141**	**-104**	**-2 021**	**608**	**-419**
Laajan tuloksen jakautuminen:					
Emoyhtiön omistajille	**-1 256**	**-99**	**-1 933**	**550**	**-413**
Määräysvallattomille omistajille	115	-5	-88	58	-6

	2014	31.12. 2013 (tilintarkastettu)	2012	30.6. 2015 (tilintarkas-tamaton)
KONSERNITASE		*(milj. EUR)*		*(milj. EUR)*
VASTAAVAA				
Pitkäaikaiset varat:				
Liikearvo	3 181	3 156	3 820	3 360
Muut aineettomat hyödykkeet	1 011	1 001	1 175	1 419
Liikearvo ja muut aineettomat hyödykkeet	**4 192**	**4 157**	**4 995**	**4 779**
Aineelliset hyödykkeet	1 132	1 075	1 133	1 378
Osuudet osakkuusyhtiöissä & yhteisyrityksissä	51	35	29	27
Muut pitkäaikaiset rahoitusvarat, netto	406	322	341	362
Laskennalliset verosaamiset	1 516	1 000	985	1 648
Ennakkomaksut eläkkeistä	2 636	3 150	2 797	2 831
Muut pitkäaikaiset saamiset	429	413	428	476
Pitkäaikaiset varat	**10 362**	**10 152**	**10 708**	**11 501**
Lyhytaikaiset varat:				
Vaihto-omaisuus ja keskeneräiset tuotteet, netto	1 971	1 935	1 940	2 099
Myyntisaamiset ja muut saamiset, netto	2 528	2 482	2 860	2 523
Ennakkomaksut ja projektien etenemismaksut	43	46	53	45
Muut lyhytaikaiset varat	877	751	726	887
Tuloverosaamiset	64	33	118	67
Markkinakelpoiset arvopaperit, netto	1 672	2 259	1 528	1 770
Rahavarat	3 878	4 096	3 401	4 007
Lyhytaikaiset varat ennen available-for-sale -sijoituksia	**11 033**	**11 602**	**10 626**	**11 398**
Available-for-sale -sijoitukset ja myytävänä olevien lopetettujen toimintojen varat	65	142	20	43
Lyhytaikaiset varat	**11 098**	**11 744**	**10 646**	**11 441**
VASTAAVAA YHTEENSÄ	**21 460**	**21 896**	**21 354**	**22 942**
VASTATTAVAA				
Oma pääoma:				
Osakepääoma	141	140	4 653	142
Maksettu lisäpääoma	20 869	20 855	16 593	20 891
Vähennetään omat osakkeet hankintamenoon	-1 084	-1 428	-1 567	-1 084
Kertyneet tappiot, arvonmuutosrahasto ja muut rahastot	-17 633	-14 588	-15 159	-17 338
Muut suoraan omaan pääomaan kirjattavat erät	52	45	-	53
Muuntoerot	-366	-787	-571	-95
Emoyhtiön omistajille kuuluva tilikauden voitto/tappio	-118	-1 304	-2 011	-126
Emoyhtiön omistajille kuuluva oma pääoma	**1 861**	**2 933**	**1 938**	**2 443**
Määräysvallattomille omistajille kuuluva osuus	833	730	745	879
Oma pääoma yhteensä	**2 694**	**3 663**	**2 683**	**3 322**

Pitkäaikainen vieras pääoma:				
Eläkkeet, eläkkeelle siirtymiseen liittyvät etuudet ja muut työsuhteen päättymisen jälkeiset etuudet	5 163	3 854	5 338	5 197
Pitkäaikaiset vaihtovelkakirjalainat ja muut pitkäaikaiset joukkovelkakirjalainat	4 696	4 711	3 727	4 798
Muut pitkäaikaiset velat	179	211	227	253
Laskennalliset verovelat	872	990	889	912
Muut pitkäaikaiset velat	175	188	177	520
Pitkäaikainen vieras pääoma yhteensä	**11 085**	**9 954**	**10 358**	**11 680**
Lyhytaikainen vieras pääoma:				
Varaukset	1 364	1 416	1 649	1 239
Lyhytaikainen osuus pitkäaikaisista veloista ja lyhytaikaiset velat	402	1 240	851	575
Asiakkaiden talletukset ja ennakkomaksut	810	681	718	958
Ostovelat ja muut velat	3 571	3 518	3 726	3 599
Tuloverovelat	73	93	145	74
Muu lyhytaikaiset velat	1 429	1 237	1 204	1 462
Lyhytaikainen vieras pääoma ennen myytävänä olevien lopetettujen toimintojen velkoja	**7 649**	**8 185**	**8 293**	**7 907**
Myytävänä olevien lopetettujen toimintojen velat	32	94	20	33
Lyhytaikainen vieras pääoma yhteensä	**7 681**	**8 279**	**8 313**	**7 940**
VASTATTAVAA YHTEENSÄ	**21 460**	**21 896**	**21 354**	**22 942**

		1.1.–31.12.		**1.1.–30.6.**	
	2014	**2013[1]**	**2012**	**2015**	**2014**
		(tilintarkastettu)		**(tilintarkastamaton)**	
KONSERNIN RAHAVIRTALASKELMA		*(milj. EUR)*		*(milj. EUR)*	
Liiketoiminnan rahavirta					
Emoyhtiön osakkeenomistajille kuuluva tilikauden voitto/tappio	-118	-1 304	-2 011	-126	-371
Määräysvallattomille omistajille kuuluva osuus	35	10	-77	-10	2
Oikaisut	692	1 479	2 028	484	448
Liiketoiminnan rahavirta ennen käyttöpääoman muutosta, korkoja ja veroja	**609**	**185**	**-60**	**348**	**79**
Lyhytaikaisten varojen ja velkojen nettomuutos (ilman rahoitusta):					
Vaihto-omaisuus ja keskeneräiset tuotteet	-72	-216	-126	-116	-192
Myyntisaamiset ja muut saamiset, netto	18	138	534	94	101
Ennakkomaksut ja projektien etenemismaksu	4	5	10	5	-2
Ostovelat ja muut velat	-167	25	-186	-172	-40
Asiakkaiden talletukset ja ennakkomaksut	88	-19	93	96	1
Muut lyhytaikaiset varat ja velat	-35	34	-153	-139	-153
Liiketoiminnan rahavirta ennen korkoja ja veroja	**445**	**152**	**112**	**116**	**-206**
Saadut korot	65	66	72	41	34
Maksetut korot	-290	-362	-274	-133	-151
Maksetut/saadut verot	-93	-77	-54	-47	-56
Liiketoiminnan nettorahavirta	**127**	**-221**	**-144**	**-23**	**-379**

Investointien rahavirta					
Aineellisten ja aineettomien hyödykkeiden myynti	92	36	13	46	71
Investoinnit	-556	-463	-524	-259	-232
Lainojen ja muiden pitkäaikaisten rahoitusvarojen muutos	19	19	21	22	22
Käteissijoitukset määräysvallan saamiseksi konserni- tai osakkuusyhtiöissä	-14	-	4	-102	-
Määräysvallan luopumisesta saadut käteistuotot/-kulut	84	-	-5	-1	47
Aikaisemmin konsolidoiduista ja konsolidoimattomista yhtiöistä saadut käteismyyntituotot	-7	3	26	-	-2
Markkinakelpoisten arvopapereiden myynnistä saadut käteistuotot/ostamisen aiheuttamat käteiskulut	617	-723	-574	-81	544
Investointien nettorahavirta	**235**	**-1 128**	**-1 039**	**-375**	**450**
Rahoituksen rahavirta					
Lyhytaikaisten lainojen liikkeeseenlasku/takaisinmaksu	117	-643	-60	-51	142
Pitkäaikaisten lainojen liikkeeseenlasku	1 143	4 087	18	85	1 136
Pitkäaikaisten lainojen takaisinmaksu/lunastaminen	-2 575	-2 062	-127	-	-1 002
Käteistuotot/-kulut liittyen omistusoikeuden muutoksiin konserniyhtiöissä ilman määräysvallan menetystä	-	-	84	-	-
Valuuttakurssien nettovaikutus yksiköiden välisiin lainoihin	-86	9	-12	11	-20
Osakepääoman korotus[2]	30	965	122	22	10
Maksetut osingot	-12	-6	-37	-12	-11
Rahoituksen nettorahavirta	**-1 383**	**2 350**	**-12**	**55**	**255**
Lopetettujen toimintojen liiketoiminnan rahavirta	34	65	-71	5	56
Lopetettujen toimintojen investointien rahavirta	71	-64	1 066	30	-31
Lopetettujen toimintojen rahoituksen rahavirta	65	-15	36	-	-25
Valuuttakurssien muutosten nettovaikutus	633	-292	23	439	62
RAHAVAROJEN MUUTOS	**-218**	**695**	**-141**	**131**	**388**
Rahavarat tilikauden alussa	**4 096**	**3 401**	**3 533**	**3 878**	**4 096**
Myytävänä olevien toimintojen rahavarat tilikauden alussa	**-**	**-**	**9**		
Rahavarat tilikauden lopussa[3]	**3 878**	**4 096**	**3 400**	**4 007**	**4 483**
Myytävänä olevien toimintojen rahavarat tilikauden lopussa	**-**	**-**	**1**	**2**	**1**
Rahavarat tilikauden lopussa, sis. myytävänä olevien toimintojen rahavarat tilikauden lopussa	**3 878**	**4 096**	**3 401**	**4 009**	**4 484**

[1] Vuosien 2013 ja 2012 luvut on oikaistu lopetettujen toimintojen vaikutusten huomioimiseksi.
[2] Tästä 15 miljoonaa euroa liittyi vuonna 2014 käytettyihin Alcatel Lucentin optioihin, 16 miljoonaa euroa vuonna 2013 käytettyihin Alcatel Lucentin optioihin ja 0 miljoonaa euroa vuonna 2012 käytettyihin Alcatel Lucentin optioihin.
[3] Sisältää 1 019 miljoonan euron rahavarat maissa, joissa sovellettiin valuuttasäännöstelyä 31.12.2014 (756 miljoona euroa 31.12.2013 ja 949 miljoonaa euroa 31.12.2012) sekä 1 056 miljoonan euron rahavarat maissa, joissa sovellettiin valuuttasäännöstelyä 30.6.2015 (714 miljoonaa euroa 30.6.2014). Valuuttasäännöstely saattaa rajoittaa Alcatel Lucentin tytäryhtiöiden ja Alcatel Lucentin mahdollisuuksia käyttää näitä rahavaroja.

19.6.2013 Alcatel Lucent julkisti Shift Plan -rakennemuutosohjelman, joka on yksityiskohtainen kolmivuotissuunnitelma Alcatel Lucentin muuttamiseksi IP, Cloud Networking ja Ultra Broadband Access -palvelujen erikoistoimittajaksi.

		Osana tätä prosessia 1.7.2013 alkaen Alcatel Lucent toteutti uuden organisaatiorakenteen, joka astui voimaan 1.7.2013, ja joka koostuu kolmesta raportoitavasta segmentistä: Core Networking, Access ja Other. Shift Plan -rakennemuutosohjelma on tähdännyt investointeihin Core Networking -liiketoiminnassa (mukaan lukien IP Routing-, IP Transport- ja IP Platforms- sekä näihin liittyvät palvelut) lisäten Access-segmentin toiminnallista rahavirtaa sekä teknologisia kumppanuuksia. Shift Plan -rakennemuutosohjelma on myös keskittynyt monipuolistamaan Alcatel Lucentin markkinaa sekä tasapainottamaan Alcatel Lucentin kustannusrakennetta. Erityisesti Shift Plan -rakennemuutosohjelma tähtää vähentämään Alcatel Lucentin kiinteiden kustannusten määrää 950 miljoonalla eurolla vuonna 2015 verrattuna sen vuoden 2012 kustannusten määrään. Alcatel Lucent on todennut, että se odottaa Shift Plan -rakennemuutosohjelman johdosta kumulatiivisten rakenteensa uudelleenjärjestelystä aiheutuvien käteiskuluvähennysten olevan noin 1,8 miljardia euroa, josta noin 1,4 miljardia euroa syntyvät vuosien 2013 ja 2015 välillä ja loput vuonna 2016. Osana Shift Plan -rakennemuutosohjelmaa Alcatel Lucent on lisäksi toteuttanut lukuisia yritysjärjestelyjä sekä uudelleenprofiloinut ja vähentänyt yhtiön velkojen määrää.
B.8	**Valikoidut pro forma -taloudelliset tiedot**	Alcatel Lucentin hankinta käsitellään liiketoimintojen yhdistämisenä IFRS 3:n Liiketoimintojen yhdistäminen (“IFRS 3”) mukaista hankintamenetelmää käyttäen, ja Nokian katsotaan olevan Alcatel Lucentin hankkiva osapuoli. IFRS 3:n mukaisessa hankintamenetelmässä sovelletaan käyvän arvon käsitteitä, jotka on määritelty IFRS 13:ssa Käyvän arvon määrittäminen (“IFRS 13”), ja sen mukaan edellytetään muun muassa, että yksilöitävissä olevat liiketoimintojen yhdistämisessä hankittavat varat ja vastattaviksi otettavat velat kirjataan hankinta-ajankohdan käypiin arvoihin ja mahdollinen määrä, jolla hankintahinta ylittää yksilöitävissä olevan hankitun nettovarallisuuden, kirjataan liikearvoksi. Tässä esitettävät laskelmat hankintahinnasta ja sen kohdistamisesta on tehty yksinomaan näitä tilintarkastamattomia lyhennettyjä yhdistettyjä pro forma -taloudellisia tietoja (”Tilintarkastamattomat pro forma -taloudelliset tiedot”) varten. Tilintarkastamattomat pro forma -taloudelliset tiedot on johdettu (a) Listalleottoesitteeseen viittaamalla sisällytetystä tilintarkastetusta Nokian konsernitilinpäätöksestä 31.12.2014 päättyneeltä tilikaudelta, (b) Listalleottoesitteeseen viittaamalla sisällytetystä tilintarkastamattomasta Nokian osavuosikatsauksesta 30.6.2015 päättyneeltä kuuden kuukauden jaksolta, (c) liitteessä A esitettyyn tilintarkastettuun Alcatel Lucentin vuosikertomukseen sisältyvästä konsernitilinpäätöksestä ja (d) liitteessä A esitettyyn tilintarkastamattomaan Alcatel Lucentin osavuosikatsaukseen sisältyvästä lyhennetystä konsernitilinpäätöksestä. Tilintarkastamattomassa lyhennetyssä yhdistetyssä pro forma -taseessa 30.6.2015 esitetään Osakevaihtotarjouksen vaikutukset ikään kuin se olisi tapahtunut tuona päivänä. Tilintarkastamattomissa lyhennetyissä yhdistetyissä pro forma -tuloslaskelmissa 30.6.2015 päättyneeltä kuuden kuukauden ajanjaksolta ja 31.12.2014 päättyneeltä tilikaudelta esitetään Osakevaihtotarjouksen vaikutukset ikään kuin se olisi tapahtunut 1.1.2014. Tilintarkastamattomassa lyhennetyssä yhdistetyssä pro forma -taseessa 30.6.2015 esitetään myös Nokian HERE-liiketoiminnan myynti ikään kuin se olisi toteutunut tuona päivänä. Tilintarkastamattomissa lyhennetyissä yhdistetyissä pro forma -tuloslaskelmissa 30.6.2015 päättyneeltä kuuden kuukauden ajanjaksolta ja 31.12.2014, 31.12.2013 ja 31.12.2012 päättyneiltä tilikausilta esitetään myös Nokian HERE-liiketoiminnan suunnitellun myynnin pro forma -vaikutukset esittämällä HERE-liiketoiminta lopetettuina toimintoina IFRS 5 mukaisesti.

		Tilintarkastamattomia pro forma -taloudellisia tietoja laadittaessa historiallisiin taloudellisiin tietoihin on tehty oikaisuja, jotka koskevat sellaisten tapahtumien pro forma -vaikutusta, jotka välittömästi johtuvat Osakevaihtotarjouksesta, joilla on jatkuva vaikutus Nokian tuloslaskelmiin ja jotka ovat perusteltavissa tosiseikoin. Tilintarkastamattomiin lyhennettyihin yhdistettyihin pro forma -tuloslaskelmiin ei sisälly mitään Osakevaihtotarjoukseen tai HERE-liiketoiminnan myyntiin välittömästi liittyviä kertaluonteisia eriä, joita Yhdistyneelle Yhtiölle saattaa syntyä Osakevaihtotarjouksen ja HERE-liiketoiminnan myynnin toteuduttua, vaan sellaiset kertaluonteiset erät on esitetty tilintarkastamattomien pro forma -taloudellisten tietojen liitetiedoissa. Nokian Tilintarkastamattomissa pro forma -taloudellisissa tiedoissa ja niihin liittyvissä liitetiedoissa esitetään, millainen Nokian tilinpäätös mahdollisesti olisi ollut, jos liiketoiminnat olisi tosiasiallisesti yhdistetty ja Nokian pääomarakenne olisi kuvastanut Osakevaihtotarjousta edellä mainittuina ajankohtina. Nokia on alustavasti läpikäynyt Alcatel Lucentin soveltamat IFRS-tilinpäätösperiaatteet lähinnä julkisesti saatavilla olevien tietojen perusteella sen selvittämiseksi, onko tarpeen tehdä oikaisuja Tilintarkastamattomien pro forma -taloudellisten tietojen vertailukelpoisuuden varmistamiseksi. Tällä hetkellä Nokian tiedossa ei ole eroja, joilla olisi olennainen vaikutus Tilintarkastamattomiin pro forma -taloudellisiin tietoihin. Alcatel Lucentin hankinnan toteuduttua Nokia tulee suorittamaan Alcatel Lucentin soveltamien tilinpäätöksen laatimisperiaatteiden yksityiskohtaisen läpikäynnin. Alcatel Lucentin tilinpäätökseen on tehty joitakin erien välisiä luokittelun muutoksia, jotta se vastaisi Nokian noudattamaa esittämistapaa. Tilintarkastamattomia pro forma -taloudellisia tietoja laadittaessa on oletettu, että kaikki Alcatel Lucentin Arvopaperit[8] tarjotaan vaihdettaviksi Osakevaihtotarjouksen yhteydessä tai mahdollisen myöhemmän tarjousajanjakson aikana. Tilintarkastamattomat pro forma -taloudelliset tiedot kuvastavat pro forma -oikaisuja, jotka ovat alustavia ja perustuvat saatavilla oleviin tietoihin ja tiettyihin oletuksiin, joiden johto uskoo olevan kohtuullisia näissä olosuhteissa. Todelliset tulokset voivat poiketa olennaisesti liitteenä oleviin Tilintarkastamattomiin lyhennettyihin yhdistettyihin pro forma -taloudellisiin tietoihin sisältyvistä oletuksista. Johto on laatinut Tilintarkastamattomat pro forma -taloudelliset tiedot ainoastaan havainnollistamistarkoituksessa, eivätkä ne välttämättä kuvasta sitä Nokian taloudellista asemaa tai liiketoiminnan tulosta, joka olisi toteutunut, jos edellä kuvatut Alcatel Lucentin hankinta tai HERE-transaktio olisivat toteutuneet yllä esitettyinä ajankohtina, eikä niiden ole tarkoitus antaa viitteitä mistään ennakoidusta taloudellisesta asemasta tai liiketoiminnan tuloksesta, jotka toteutuisivat tulevaisuudessa. Tämän lisäksi Tilintarkastamattomat lyhennetyt yhdistetyt tuloslaskelmat eivät myöskään kuvasta mitään odotettuja kustannussäästöjä, synergioita, uudelleenjärjestelytoimenpiteitä, kertaluonteisia eriä tai kertaluonteisiin liiketapahtumiin liittyviä transaktiokuluja, joita Nokia odottaa aiheutuvan tai syntyvän. Kaikki luvut esitetään miljoonina euroina, ellei muuta mainita.

[8] "Alcatel Lucentin Arvopaperit" viittaa Alcatel Lucentin osakkeisiin, Alcatel Lucentin ADS-osaketalletustodistuksiin ja OCEANE-vaihtovelkakirjoihin.

Tilintarkastamaton lyhennetty yhdistetty pro forma -tase 30.6.2015

Milj. EUR	Nokia historial-linen	HERE-liiketoi-minnan myynti	Nokian jatkuvat toiminnot	Alcatel Lucent uudelleen-luokiteltu	Pro forma -oikaisut	Yhdistetty pro forma
VASTAAVAA						
Pitkäaikaiset varat						
Liikearvo	2 783	-2 555	228	3 360	4 804	8 392
Muut aineettomat hyödykkeet	341	-37	304	1 419	5 700	7 423
Aineelliset hyödykkeet	786	-112	674	1 378	-	2 052
Osuudet osakkuusyhtiöissä	69	-	69	27	-	96
Available-for-sale -sijoitukset	1 018	-	1 018	337	-	1 355
Laskennalliset verosaamiset	2 721	-51	2 670	1 648	-	4 318
Pitkäaikaiset lainasaamiset	48	-	48	9	-	57
Ennakkomaksut eläkkeistä	29	-	29	2 831	-	2 860
Muut sijoitukset	43	-	43	376	-	419
	7 837	**-2 756**	**5 081**	**11 385**	**10 504**	**26 970**
Lyhytaikaiset varat						
Vaihto-omaisuus	1 368	-12	1 356	2 099	108	3 563
Myyntisaamiset, oikaistuna arvonalentumis-kirjauksilla	3 602	-159	3 443	2 005	-8	5 440
Siirtosaamiset ja ennakkomaksut	944	-73	871	1 323	-	2 194
Tuloverosaamiset	200	-7	193	67	-	260
Lyhytaikainen osuus pitkäaikaisista lainasaamisista	2	-	2	16	-	18
Muut lyhytaikaiset rahoitusvarat	121	-	121	202	-	323
Käypään arvoon tulosvaikutteisesti kirjatut sijoitukset, likvidit varat	570	-	570	-	-	570
Available-for-sale -sijoitukset, likvidit varat	2 065	-1	2 064	1 770	-	3 834
Raha- ja pankkisaamiset	3 983	2 515	6 498	4 032	-	10 530
	12 855	**2 263**	**15 118**	**11 514**	**100**	**26 732**
Myytävänä oleviksi luokiteltuihin ryhmiin kuuluvat varat	-	-	-	43	-	43
Vastaavaa yhteensä	**20 693**	**-493**	**20 200**	**22 942**	**10 604**	**53 746**

Milj. EUR	Nokia historial-linen	HERE-liiketoi-minnan myynti	Nokian jatkuvat toiminnot	Alcatel Lucent uudelleen-luokiteltu	Pro forma -oikaisut	Yhdistetty pro forma
VASTATTAVAA						
Emoyhtiön omistajille kuuluva oma pääoma	8 919	26	8 945	2 443	10 354	21 742
Määräysvallattomil-le omistajille kuuluva osuus	59	-	59	879	-	938

Oma pääoma yhteensä	**8 979**	**26**	**9 005**	**3 322**	**10 354**	**22 681**
Pitkäaikainen vieras pääoma						
Pitkäaikaiset korolliset velat	2 685	-	2 685	5 051	-3 430	4 306
Laskennalliset verovelat	75	-	75	912	1 764	2 751
Myynnin jaksotukset ja muut pitkäaikaiset velat	1 575	-164	1 411	571	-	1 982
Etuuspohjaiset eläkkeet ja muut työsuhteen päättymisen jälkeiset etuudet	426	-7	419	5 197	-	5 616
Varaukset	259	-	259	324	-	583
	5 019	**-171**	**4 848**	**12 055**	**-1 666**	**15 237**
Lyhytaikainen vieras pääoma						
Lyhytaikainen osuus pitkäaikaisista korollisista veloista	1	-	1	195	1 901	2 097
Lyhytaikaiset velat	102	-	102	357	-	459
Muut lyhytaikaiset rahoitusvelat	122	-	122	145	-	267
Tuloverovelat	484	-58	426	74	-	500
Ostovelat	1 919	-49	1 870	1 916	-8	3 778
Siirtovelat, myynnin jaksotukset ja muut velat	3 560	-238	3 322	3 930	23	7 275
Varaukset	507	-3	504	915	-	1 419
	6 695	**-348**	**6 347**	**7 532**	**1 916**	**15 795**
Myytävänä oleviksi luokiteltuihin ryhmiin kuuluvat velat	-	-	-	33	-	33
Vieras pääoma yhteensä	**11 714**	**-519**	**11 195**	**19 620**	**250**	**31 065**
Vastattavaa yhteensä	**20 693**	**-493**	**20 200**	**22 942**	**10 604**	**53 746**

Tilintarkastamaton lyhennetty yhdistetty pro forma -tuloslaskelma 30.6.2015 päättyneeltä kuuden kuukauden jaksolta

Milj. EUR	**Nokia historial-linen**	**HERE-liiketoi-minnan myynti**	**Nokian jatkuvat toiminnot**	**Alcatel Lucent uudelleen-luokiteltu**	**Pro forma -oikaisut**	**Yhdistetty pro forma**
Liikevaihto	6 405	-551	5 854	6 601	-14	12 441
Hankinnan ja valmistuksen kulut	-3 512	142	-3 370	-4 367	14	-7 723
Bruttokate	2 892	-409	2 483	2 234	-	4 717
Tutkimus- ja kehityskulut	-1 354	269	-1 085	-1 168	-171	-2 424
Myynnin ja hallinnon kulut	-875	99	-776	-870	-168	-1 814
Liikearvon arvonalentuminen	-	-	-	-	-	-
Liiketoiminnan muut tuotot	159	-	159	48	-	207
Liiketoiminnan muut kulut	-78	13	-65	-219	22	-262
Liikevoitto/-tappio	**745**	**-28**	**717**	**25**	**-317**	**425**

Osuus osakkuusyhtiöiden tuloksesta	14	-	14	1	-	15
Rahoitustuotot ja -kulut	-49	-4	-53	-142	28	-167
Voitto/tappio ennen veroja	**710**	**-32**	**678**	**-116**	**-289**	**273**
Tuloverot	-177	7	-170	-6	87	-89
Jatkuvien toimintojen voitto/tappio	**533**	**-25**	**508**	**-122**	**-202**	**184**
Jakautuminen:						
Emoyhtiön omistajille kuuluva voitto/tappio	531	-25	506	-112	-202	192
Määräysvallattomi l-le omistajille kuuluva osuus voitosta/tappiosta	2	-	2	-10	-	-8
	533	**-25**	**508**	**-122**	**-202**	**184**

Osakekohtainen tulos jatkuvista toiminnoista (emoyhtiön omistajille kuuluvasta voitosta/tappiosta)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Laimentamaton	0,15	-0,01	0,14	-0,04	0,03
Laimennettu	0,14	-0,00	0,14	-0,04	0,03

Osakemäärän painoitettu keskiarvo	**1 000 osaketta**	**1 000 osaketta**	**1 000 osaketta**	**1 000 osaketta**	**1 000 osaketta**
Laimentamaton	3 631 929	3 631 929	3 631 929	2 787 471	5 640 929
Laimennettu	3 952 185	3 642 883	3 642 883	2 787 471	5 657 924

Tilintarkastamaton lyhennetty yhdistetty pro forma -tuloslaskelma 31.12.2014 päättyneeltä vuodelta

Milj. EUR	**Nokia historial-linen**	**HERE-liiketoi-minnan myynti**	**Nokian jatkuvat toiminnot**	**Alcatel Lucent uudelleen-luokiteltu**	**Pro forma -oikaisut**	**Yhdistetty pro forma**
Liikevaihto	12 732	-969	11 763	13 010	-29	24 744
Hankinnan ja valmistuksen kulut	-7 094	238	-6 856	-8 788	29	-15 615
Bruttokate	**5 638**	**-731**	**4 907**	**4 222**	**-**	**9 129**
Tutkimus- ja kehityskulut	-2 493	545	-1 948	-2 139	-223	-4 310
Myynnin ja hallinnon kulut	-1 634	181	-1 453	-1 661	-439	-3 553
Liikearvon arvonalentuminen	-1 209	1 209	-	-	-	-
Liiketoiminnan muut tuotot	136	-2	134	308	-	442
Liiketoiminnan muut kulut	-268	39	-229	-593	-	-822
Liikevoitto/-tappio	**170**	**1 241**	**1 411**	**137**	**-662**	**886**
Osuus osakkuusyhtiöiden tuloksesta	-12	-	-12	15	-	3
Rahoitustuotot ja -kulut	-395	-5	-400	-502	38	-864
Voitto/tappio ennen veroja	**-237**	**1 236**	**999**	**-350**	**-624**	**25**

Tuloverot	1 408	310	1 718	316	187	2 221
Jatkuvien toimintojen voitto/tappio	1 171	1 546	2 717	-34	-437	2 246
Jakautuminen:						
Emoyhtiön omistajille kuuluva voitto/tappio	1 163	1 546	2 709	-69	-437	2 203
Määräysvallattomille omistajille kuuluva osuus voitosta/tappiosta	8	-	8	35	-	43
	1 171	**1 546**	**2 717**	**-34**	**-437**	**2 246**

Osakekohtainen tulos jatkuvista toiminnoista (emoyhtiön omistajille kuuluvasta voitosta/tappiosta)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Laimentamaton	0,31	0,42	0,73	-0,02	0,39
Laimennettu	0,30	0,39	0,67	-0,02	0,37

Osakemäärän painoitettu keskiarvo	**1 000 osaketta**	**1 000 osaketta**	**1 000 osaketta**	**1 000 osaketta**	**1 000 osaketta**
Laimentamaton	3 698 723	3 698 723	3 698 723	2 767 026	5 707 723
Laimennettu	4 131 602	4 131 602	4 131 602	2 767 026	6 143 274

B.9 **Tulosennusteet ja -arviot**

Nokia

Tämä osatekijä ”*Tulosennusteet ja -arviot*” sisältää tulevaisuutta koskevia lausumia. Tulevaisuutta koskevat lausumat eivät ole takeita tulevista tapahtumista, ja Nokian todelliset tulokset saattavat poiketa olennaisesti tässä esitetyissä tulevaisuutta koskevissa lausumissa kuvatuista tai niistä johdettavissa olevista tuloksista useista tekijöistä johtuen. Nokia kehottaa sijoittajia olemaan tukeutumatta liikaa tällaisiin tulevaisuutta koskeviin lausumiin, jotka pätevät ainoastaan Listalleottoesitteen päivämääränä 23.10.2015.

Seuraavassa taulukossa on esitetty Nokian näkymät sellaisina kuin ne on julkistettu Nokian osavuosikatsauksen yhteydessä 30.7.2015.

	Tarkastelukohde[1]	**Tiedot**	**Kommentit**
Nokia Networks	Liikevaihto koko vuonna 2015	Kasvua koko vuoteen 2014 verrattuna	
	Ei-IFRS-liikevoittoprosentti koko vuonna 2015	Pitkän aikavälin 8–11 %:n vaihteluvälin keskivaiheilla koko vuonna 2015	Perustuu eri tekijöihin, joihin kuuluvat toimialan kilpailu-dynamiikka, tuotevalikoiman painottuminen ja alueellinen jakauma, toimialan kausiluonteisuus vuoden 2015 toisella vuosipuoliskolla, merkittävien verkkojen rakennus-hankkeiden ajoittuminen sekä arvioitu jatkuva toimintojen tehostuminen.
HERE	Liikevaihto koko vuonna 2015	Kasvua koko vuoteen 2014 verrattuna	
	Ei-IFRS-liikevoittoprosentti koko vuonna 2015	9–12 %	Perustuu muun muassa johtavaan markkina-asemaan, toimialan myönteiseen kehitykseen sekä

<table>
<tr><td></td><td></td><td>
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<tr><td></td><td></td><td></td><td>lisääntyneeseen kustannustehokkuuden tavoitteluun.</td></tr>
<tr><td>Nokia Technologies</td><td>Liikevaihto koko vuonna 2015</td><td>Kasvua koko vuoteen 2014 verrattuna</td><td>Ei sisällä Samsungin kanssa käytävän välimies-menettelyn odotettuun ratkaisuun liittyviä mahdollisia summia.</td></tr>
<tr><td></td><td>Ei-IFRS-toimintakulut koko vuonna 2015</td><td>Noin vuoden 2015 toisen neljänneksen tasolla (päivitys)</td><td>Perustuu eri tekijöihin, joihin kuuluvat suuremmat investoinnit lisensointiaktiviteetteihin, lisensoitaviin teknologioihin sekä liiketoiminnan mahdollistaviin tekijöihin, mukaan lukien tuotteen markkinoille tuonnin mahdollistava osaaminen, ja tekijöihin, jotka tähtäävät uusiin ja merkittäviin kasvumahdollisuuksiin pitkällä aikavälillä. Tämä on päivitys aiempaan arvioon, jonka mukaan koko vuoden 2015 ei-IFRS-toimintakulujen arvioitiin olevan noin vuoden 2014 viimeisen neljänneksen tasolla.</td></tr>
<tr><td>Nokia</td><td>Käyttöomaisuus-investoinnit koko vuonna 2015</td><td>Noin 250 miljoonaa euroa</td><td>Liittyy ensisijaisesti Nokia Networksiin.</td></tr>
<tr><td></td><td>Rahoitustuotot ja -kulut koko vuonna 2015</td><td>Noin 160 miljoonaa euroa kuluja</td><td>Riippuu valuuttakurssimuutoksista ja korollisten velkojen määrästä.</td></tr>
<tr><td></td><td>Konsernin yhteiset toiminnot koko vuonna 2015 Ei-IFRS-toimintakulut</td><td>Noin 120 miljoonaa euroa</td><td></td></tr>
<tr><td></td><td>Arvioitu pitkän aikavälin efektiivinen verokanta</td><td>Noin 25 %</td><td></td></tr>
<tr><td></td><td>Vuosittain maksettavat verot</td><td>Noin 250 miljoonaa euroa vuosittain, kunnes laskennalliset verosaamiset on täysin hyödynnetty</td><td>Voi vaihdella riippuen tuloksen jakautumisesta eri maiden välillä sekä lisenssituloista mahdollisesti maksettavien lähdeverojen määrästä.</td></tr>
</table>
[1] Ei-IFRS tunnusluvut eivät sisällä tiettyjä kertaluonteisia eriä. Ei-IFRS tunnusluvut eivät myöskään sisällä aineettomien hyödykkeiden poistoja ja muita hankinnan kohdentamiseen liittyviä eriä, jotka johtuvat yrityskaupoista.
</td></tr>
<tr><td>B.10</td><td>Tilintarkastus-kertomuksissa esitetyt muistutukset</td><td>Ei sovellu; Nokian tai Alcatel Lucentin julkaistuihin tilintarkastuskertomuksiin ei sisälly muistutuksia.</td></tr>
<tr><td>B.11</td><td>Käyttöpääoman riittävyys</td><td>Nokian johdon arvion mukaan Nokian saatavilla oleva käyttöpääoma riittää kattamaan sen nykyiset tarpeet 12 seuraavan kuukauden aikana Listalleottoesitteen päivämäärästä.

Arvioidakseen Nokian käyttöpääomatarpeita Alcatel Lucentin hankinnan jälkeen Nokia on laatinut rahoituksen suunnitelmia sillä oletuksella, että Nokia ja Alcatel Lucent yhdistyvät ja pois lukien HERE-liiketoiminnan. Näiden taloudellisten</td></tr>
</table>

		suunnitelmien perusteella Nokia odottaa, että Nokian ja Alcatel Lucentin yhdistyminen ei vaikuta haitallisesti Yhdistyneen Yhtiön käyttöpääoman riittävyyteen.

Jakso C — Arvopaperit		
C.1	**Arvopapereiden tyyppi ja laji**	**Nokia** Nokialla on yksi osakelaji, ja jokainen osake oikeuttaa yhteen ääneen Yhtiön yhtiökokouksessa. Osakkeisiin ei liity äänestysrajoituksia. Kaikki Nokian osakkeet (”Nokian Osakkeet” tai ”Nokian Osake”) tuottavat yhtäläiset oikeudet osinkoihin ja Nokian muuhun varojenjakoon (mukaan lukien varojenjako Yhtiön mahdollisessa selvitystilassa). Nokian Osakkeet on laskettu liikkeeseen Suomen lainsäädännön mukaisesti ja liitetty Euroclear Finlandin ylläpitämään arvo-osuusjärjestelmään. Nokian Osakkeet ovat julkisen kaupankäynnin kohteena Nasdaq Helsingin pörssilistalla kaupankäyntitunnuksella ”NOKIA” ja Nokian Osakkeen ISIN-koodi on FI0009000681. Osakkeet noteerataan Nasdaq Helsingissä euroina. Nokian ADS-osaketalletustodistukset noteerataan New Yorkin Pörssissä (“NYSE”) kaupankäynti-tunnuksella ”NOK”. **Alcatel Lucent** Alcatel Lucentin Osakkeet[9] ovat kaupankäynnin kohteena Euronext Parisissa kaupankäyntitunnuksella ”ALU”, ja Alcatel Lucent ADS-osaketalletustodistukset ovat kaupankäynnin kohteena NYSE:ssä kaupankäyntitunnuksella ”ALU”. Alcatel Lucentin vaihtovelkakirjalainat, jotka ovat konvertoitavissa uusiksi Alcatel Lucentin Osakkeiksi tai vaihdettavissa olemassa oleviin Alcatel Lucentin Osakkeisiin, ja jotka erääntyvät 1.7.2018 (2018 OCEANE-vaihtovelkakirjalainat), Alcatel Lucentin vaihtovelkakirjalainat, jotka ovat konvertoitavissa uusiksi Alcatel Lucentin Osakkeiksi tai vaihdettavissa olemassa oleviin Alcatel Lucentin Osakkeisiin, ja jotka erääntyvät 30.1.2019 (2019 OCEANE-vaihtovelkakirjalainat) ja Alcatel Lucentin vaihtovelkakirjalainat, jotka ovat konvertoitavissa uusiksi Alcatel Lucentin Osakkeiksi tai vaihdettavissa olemassa oleviin Alcatel Lucentin Osakkeisiin, ja jotka erääntyvät 30.1.2020 (2020 OCEANE-vaihtovelkakirjalainat) ovat kaupankäynnin kohteena Euronext Parisissa (2018 OCEANE kaupankäyntitunnuksella ”YALU”, 2019 OCEANE kaupankäyntitunnuksella ”YALU1” ja 2020 OCEANE kaupankäyntitunnuksella ”YALU2”). Alcatel Lucentin Osakkeiden ISIN-koodi on FR0000130007. Osakkeenomistajalla on oikeus omistamiensa tai edustamiensa osakkeiden lukumäärän mukaiseen äänimäärään. Täysin maksetut rekisteröidyt osakkeet, jotka ovat olleet rekisteröityinä saman osakkeenomistajan nimiin vähintään kolmen vuoden ajan, tuottavat kuitenkin kaksinkertaisen äänioikeuden.
C.2	**Arvopapereiden valuutta**	Valuutta on euro.
C.3	**Tietoja osakkeista**	**Nokia** Listalleottoesitteen päivämääränä Nokialla on 3 678 641 891 kokonaan maksettua osaketta. Nokian Osakkeilla ei ole nimellisarvoa. Nokia-konserni on laskenut 26.10.2012 liikkeeseen 750 miljoonan euron suuruisen vaihtovelkakirjalainan (”Vaihtovelkakirjalaina”) 6.5.2010 pidetyn varsinaisen yhtiökokouksen antaman valtuutuksen nojalla. Vaihtovelkakirjalaina erääntyy viiden vuoden kuluttua liikkeeseenlaskusta, ja sille maksetaan puolivuosittain 5,00 %

[9] ”Alcatel Lucentin Osakkeet” viittaa Alcatel Lucentin osakkeisiin (tavalliset osakkeet).

		vuotuista kuponkikorkoa. Nykyinen vaihtohinta on 2,39 euroa. Listalleottoesitteen päivämääränä Vaihtovelkakirjalainasta oli vaihdettu osakkeiksi 0,2 miljoonaa euroa. Vaihtovelkakirjalainan ehtojen mukaan Nokialla on oikeus lunastaa ulkona olevat vaihtovelkakirjat milloin tahansa 25.11.2015 jälkeen nimellisarvoon lisättynä lunastuspäivään mennessä kertyneellä maksamattomalla korolla. Lunastus edellyttää, että Nokian Osakkeiden kaupankäyntimäärillä painotettu keskihinta on määrätyn ajan välittömästi ennen lunastusilmoituksen päivämäärää vähintään 150 % Vaihtovelkakirjalainan vaihtohinnasta. Nokia tiedotti 8.10.2015, että se on päättänyt käyttää oikeuttaan lunastaa Vaihtovelkakirjalaina 26.11.2015. Jos Vaihtovelkakirjalaina vaihdetaan kokonaisuudessaan Nokian Osakkeisiin, joka tapahtuisi 17.11.2015 mennessä, tämän hetkisellä vaihtohinnalla 2,39 euroa per Nokian Osake annettaisiin noin 313 723 849 Nokian Osaketta (olettaen, että kaikki ulkona olevat vaihtovelkakirjat vaihdetaan). Nämä Nokian Osakkeet edustaisivat noin 5,2 % annetuista ja jo liikkeellä olevista Nokian Osakkeista Osakevaihtotarjouksen päättymisen jälkeen (olettaen, että kaikki Alcatel Lucentin Arvopaperit tarjotaan Osakevaihtotarjouksessa tai mahdollisena jatkettuna tarjousaikana). **Alcatel Lucent** Alcatel Lucentin osakkeita oli 30.9.2015 liikkeessä 2 838 984 750 kappaletta mukaan lukien Alcatel Lucentin hallussa olevat 40 115 200 Alcatel Lucentin Osaketta ja Alcatel Lucent ADS-osaketalletustodistusten edustamat Alcatel Lucentin Osakkeet. 30.6.2015 Alcatel Lucent ADS-osaketalletustodistusten edustamia Alcatel Lucentin osakkeita oli 499 863 626. Alcatel Lucentin Osakkeen nimellisarvo on 0,05 euroa. 30.9.2015 2018 OCEANE-vaihtovelkakirjalainoja oli liikkeessä 349 413 680 kappaletta, 2019 OCEANE-vaihtovelkakirjalainoja oli liikkeessä 167 500 000 kappaletta ja 2020 OCEANE-vaihtovelkakirjalainoja oli liikkeessä 114 499 995 kappaletta.
C.4	**Arvopapereihin liittyvät oikeudet**	**Nokia** Tarjottaviin Osakkeisiin[10] (ja Nokian Osakkeisiin yleensäkin) liittyviä oikeuksia ovat muun muassa etuoikeus merkitä uusia Nokian osakkeita, oikeus osallistua yhtiökokoukseen ja äänestää siellä, oikeus osinkoihin ja muuhun vapaasta omasta pääomasta tehtävään varojenjakoon, oikeus vaatia osakkeiden lunastamista käypään hintaan sellaiselta osakkeenomistajalta, jonka hallussa on enemmän kuin 90 % Nokian kaikista osakkeista ja äänistä, sekä muut Suomen osakeyhtiölakiin (624/2006, muutoksineen) yleisesti perustuvat oikeudet. Tarjottavat Osakkeet oikeuttavat haltijansa täysiin osakasoikeuksiin sen jälkeen, kun Tarjottavat Osakkeet on merkitty kaupparekisteriin ja Nokian osakasluetteloon, ja ne oikeuttavat myös täyteen osinkoon ja Nokian mahdollisesti ilmoittamaan muuhun varojenjakoon samalla tavalla kuin olemassa olevat Nokian Osakkeet. **Alcatel Lucent** Jokainen osake oikeuttaa osaan Alcatel Lucentin tuloksesta yhtiöjärjestyksen määräämässä suhteessa. Alcatel Lucentin osakkeille jaettavat osingot ja muut tuotot maksetaan kulloinkin voimassa olevien säädösten ja määräysten mukaisesti sekä yhtiökokouksen tai vaihtoehtoisesti hallituksen päättämällä tavalla. Täysin maksetut osakkeet, jotka ovat olleet rekisteröityinä samalle henkilölle vähintään kolmen vuoden ajan, tuottavat kaksinkertaisen äänioikeuden. Oikeudet ja velvollisuudet pysyvät liitettyinä osakkeeseen riippumatta siitä, kuka sen omistaa.

[10] ”Tarjottavat Osakkeet” viittaa Osakevaihtotarjouksessa ja Alcatel Lucentin hankinnan yhteydessä muuten annettaviin uusiin Nokian osakkeisiin.

		Osakkeen omistaminen tarkoittaa automaattisesti Alcatel Lucentin yhtiöjärjestyksen ja yhtiökokouksen päätösten hyväksymistä. Osakeomistusta ei voi jakaa Alcatel Lucentiin nähden, mikä tarkoittaa, että yhden henkilön pitää edustaa yhteisomistuksessa olevia osakkeita. Osakkeisiin kohdistuvasta käyttö- ja tuotto-oikeudesta on ilmoitettava osakkeiden rekisteröinnin yhteydessä.
C.5	**Arvopapereiden vapaata luovutettavuutta koskevat rajoitukset**	Nokian Osakkeet ovat vapaasti luovutettavissa. Alcatel Lucentin Osakkeet ovat vapaasti luovutettavissa.
C.6	**Kaupankäynnin kohteeksi ottaminen**	Nokian Osakkeet ovat julkisen kaupankäynnin kohteena Nasdaq Helsingin pörssilistalla kaupankäyntitunnuksella ”NOKIA”. Nokian ADS-osaketalletustodistukset noteerataan NYSE:ssä kaupankäyntitunnuksella ”NOK”. Osakevaihtotarjouksen yhteydessä Nokia on tehnyt hakemuksen Nokian Osakkeiden (mukaan lukien Osakevaihtotarjouksen yhteydessä annettavat Nokian Osakkeet) ottamisesta Euronext Parisin listalle. Nokia tulee pyytämään hyväksyntää sille, että listalleotto tulisi voimaan ennen Osakevaihtotarjouksen toteutumista. Nokia tekee myös hakemuksen Osakevaihtotarjouksen yhteydessä annettavien Nokian Osakkeiden ja Nokian ADS-osaketalletustodistusten ottamisesta Nasdaq Helsingin ja NYSE:n listoille.
C.7	**Osingonjako-periaatteet**	**Nokia** Nokialla ei ole määrällistä osingonjakoperiaatetta, mutta yleisesti ottaen se katsoo vuotuiset osingot tärkeäksi menetelmäksi jakaa arvoa osakkeenomistajille. Nokian osingonjaosta päättää jatkossakin Nokian hallitus ottaen huomioon Yhtiön osingonjakokyvyn, taloudellisen aseman ja Yhtiön tarpeet. Suomen osakeyhtiölain (624/2006, muutoksineen) mukaan yhtiökokous päättää osingonjaosta yhtiön hallituksen ehdotuksen perusteella. Nokia maksoi 31.12.2014 päättyneeltä tilikaudelta osinkoa 0,14 euroa osakkeelta (0,11 euroa osakkeelta ja erityinen lisäosinko 0,26 euroa osakkeelta tilikaudelta 2013, ei osinkoa tilikaudelta 2012). **Alcatel Lucent** Osinkoa ei ole jaettu kuuden edellisen tilikauden aikana. Osingot, joita ei ole vaadittu maksettavaksi viiden vuoden kuluessa, luovutetaan Ranskan valtiolle. Alcatel Lucentin hallitus määrittelee osingonjakoperiaatteet ottaen huomioon erityisesti Alcatel Lucent -konsernin taloudellisen aseman ja tuloksen, pääomatarpeen, nykyiset ja tulevat tuotot sekä markkinoiden käytännöt osingonjakoon liittyen erityisesti Alcatel Lucentin toimialoilla. Alcatel Lucentin taloudellisen tuloksen, investointitarpeiden ja velanhoidon asettamat vaatimukset huomioiden Alcatel Lucent voi päättää muuttaa osingonjakoa tai olla jakamatta osinkoa. Alcatel Lucentin hallitus suositteli 5.2.2015 pitämässään kokouksessa, että tilikaudelta 2014 ei makseta osinkoa.

<table>
<tr><th colspan="3">Jakso D — Riskit</th></tr>
<tr><td>D.1</td><td>Liikkeeseen-laskijalle tai sen toimialalle ominaiset riskit</td><td>Nokia

Nokian toimintaympäristöön, liiketoimintaan ja rahoitukseen liittyviä riskejä ovat muun muassa seuraavat tekijät:

• Nokian strategiaan liittyy erilaisia riskejä ja epävarmuustekijöitä, kuten että Nokia ei välttämättä onnistu toteuttamaan strategiaansa, säilyttämään tai parantamaan liiketoimintansa operatiivista ja taloudellista suorituskykyä tai tunnistamaan uusia tilaisuuksia tai tarttumaan niihin menestyksekkäästi.
• Yleinen talous- ja markkinatilanne voi vaikuttaa Nokiaan epäedullisesti.
• Nokia toimii maailmanlaajuisesti, mikä altistaa sen poliittisille ja muille tapahtumille.
• Nokian liiketoimintaan kohdistuu suoraa ja välillistä sääntelyä. Tästä johtuen muutokset sääntelyssä ja niiden soveltamisessa sekä taloudellisissa ja kaupallisissa menettelytavoissa, jotka soveltuvat nykyisiin tai uusiin teknologioihin tai tuotteisiin, voivat vaikuttaa epäedullisesti Nokian liiketoimintaan ja -tulokseen.
• Nokialla on merkittävää toimintaa kehittyvien markkinoiden maissa, joissa voi esiintyä sääntelyyn liittyviä tai poliittisia lisäriskejä, mukaan lukien epäedullinen ja arvaamaton kohtelu suhteessa veroasioihin, valuuttakontrolliin ja muihin rajoituksiin.
• Nokia toimii erilaisissa sääntelykehyksissä ja useilla lainkäyttöalueilla, jotka sääntelevät vilpillistä toimintaa sekä taloutta ja kauppaa koskevia pakotteita ja periaatteita, ja mahdollisten menettelyiden lopputulosta ja laajuutta on vaikea arvioida varmuudella.
• Nokiaan sovelletaan pörssiyhtiöitä koskevia lakisääteisiä vaatimuksia. Epäonnistuminen näiden sääntelyvaatimusten noudattamisessa saattaa johtaa esimerkiksi luottamuksen menetykseen Nokiaan tai Nokian taloudellisten raporttien tarkkuuteen tai täydellisyyteen taikka sakkojen määräämiseen tai muiden sääntelyyn liittyvien moitteiden antamiseen.
• Nokian tuotteet, palvelut ja liiketoimintamallit ovat riippuvaisia Nokian kehittämistä sekä tiettyjen kolmansien osapuolten Nokialle lisensoimista IPR-oikeuksilla suojatuista teknologoista. Sen seurauksena Nokian käyttämiin teknologioihin liittyvien oikeuksien arviointi on yhä vaikeampaa, ja Nokia odottaa, että siihen kohdistetaan jatkossakin vaatimuksia väittämällä, että se olisi loukannut kolmansien immateriaalioikeuksia. Näiden teknologioiden käyttö voi myös johtaa lisääntyneisiin lisensointikuluihin Nokialle, rajoituksiin Nokian kyvyssä käyttää tiettyjä teknologioita sen tuotteissa ja/tai aikaa vieviin ja kalliisiin oikeudenkäynteihin.
• Nokia toimii useissa maissa, ja tämän seurauksena se voi kohdata monitahoisia veroihin liittyviä seikkoja ja verokiistoja, joiden perusteella sille voi tulla maksettavaksi lisää veroja eri lainkäyttöalueilla.
• Nokian todellinen tai oletettu tulos saattaa muiden tekijöiden ohella vähentää Yhtiön kykyä hyödyntää laskennallisia verosaamisia.
• Nokia ei välttämättä pysty pitämään palveluksessaan, kannustamaan, kehittämään ja rekrytoimaan työntekijöitä, joilla on sopivaa osaamista.
• Nokia saattaa kohdata vaikeuksia henkilöstön käytössä tai suhteissa henkilöstön edustajiin.
• Nokian yhteistyökumppaneiden virheellinen toiminta ja epäonnistuminen tarvittavien kumppanuussopimusten solmimisessa saattavat vaikuttaa epäedullisesti Yhtiöön.
• Valuuttakurssien vaihtelu vaikuttaa Nokian liikevaihtoon, kustannuksiin ja liiketoiminnan tulokseen sekä Nokian osinkojen ja Nokian ADS-osaketalletustodistusten markkinahintaan Yhdysvaltojen dollareina.</td></tr>
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		• Nokian liiketoimintaan liittyvän oikeudenkäynnin tai sopimusriidan epäedullisella tuloksella tai terveyshaittoja koskevilla väitteillä saattaa olla olennaisen haitallinen vaikutus Yhtiöön. • Tehottomuus, tietomurrot, viat tai häiriöt tietojärjestelmissä voivat vaikuttaa olennaisen haitallisesti Nokian liiketoimintaan ja liiketoiminnan tulokseen. • Tietoturvamurroilla ja muilla mahdollisilla turvallisuusriskeillä voi olla haitallinen vaikutus Nokian liiketoimintaan. • Nokia ei välttämättä onnistu toteuttamaan suunniteltuja yritysjärjestelyjä tai saavuttamaan niistä tavoiteltuja hyötyjä. • Devices & Services -liiketoiminnan myynti voi altistaa Nokian vastuusitoumuksille, ja Nokian ja Microsoftin välisissä sopimuksissa voi olla ehtoja, jotka osoittautuvat epäedullisiksi Yhtiön kannalta. • Nokian toimenpiteet taloudellisen tai operatiivisen suorituskyvyn, kustannussäästöjen ja kilpailukyvyn hallitsemiseksi ja parantamiseksi eivät välttämättä johda tavoiteltuihin tuloksiin tai parannuksiin. • Nokia ei välttämättä pysty optimoimaan Yhtiön pääomarakennetta suunnitelmien mukaisesti ja saavuttamaan uudelleen investment grade -sijoitusluokitusta. • Mikäli tietyt epävarmat markkinaolosuhteet jatkuvat tai heikentyvät, Nokia tai Yhdistynyt Yhtiö ei välttämättä pysty saamaan riittävästi rahoitusta. • Nokian tai Yhdistyneen Yhtiön luottoluokitukset eivät välttämättä kuvasta kaikkia riskejä ja ne eivät välttämättä parane tulevaisuudessa. • Nokia Networks on riippuvainen mobiililaajakaistamarkkinoiden kehityksestä. • Nokia Networks keskittyy mobiililaajakaistaan ja tämän seurauksena sen liikevaihto ja kannattavuus riippuvat sen menestyksestä mobiililaajakaista-verkkojen ja niihin liittyvien palvelujen markkinoilla. • Nokia Networks kohtaa voimakasta kilpailua eikä välttämättä pysty investoimaan tehokkaasti ja kannattavasti uusiin korkealaatuisiin tuotteisiin, palveluihin, päivityksiin ja teknologioihin sekä tuomaan niitä markkinoille oikeaan aikaan. • Nokia Networksin tuotteissa mahdollisesti esiintyvillä puutteilla voi olla haitallinen vaikutus Yhtiön liiketoiminnan tulokseen. • Nokia Networks on riippuvainen rajallisesta asiakasmäärästä ja laajoista monivuotisista sopimuksista, joten yksittäisen suuren asiakkaan menettämisellä, operaattoreiden lisäkonsolidaatiolla tai yksittäiseen sopimukseen liittyvillä asioilla voi olla merkittävä vaikutus Nokia Networksiin. • Nokia Networks voi kohdata ongelmia tai häiriöitä Yhtiön valmistuksessa, palvelutuotannossa, toimituksissa, logistiikassa tai toimitusketjussa. • Nokia Networksin liiketoimintamallit tukeutuvat ratkaisuihin palvelujen ja ohjelmistojen jakamiseksi tai tiedon tallennukseen, mihin saattaa liittyä turvallisuus- tai sääntelyriskejä. • Nokia Networksin tai Yhtiön alihankkijoiden tuotantolaitokset ovat maantieteellisesti keskittyneitä. • Nokia Networksin tarjoama asiakasrahoitus tai pitkät maksuajat voivat vaikuttaa siihen haitallisesti. • HEREn liiketoimintastrategiaan liittyy riskejä ja epävarmuustekijöitä, kuten HEREn kohtaama kova kilpailu, eikä se välttämättä onnistu sijoittamaan tehokkaasti ja kannattavasti uusiin kilpailukykyisiin korkealaatuisiin palveluihin ja dataan sekä tuomaan niitä markkinoille oikeaan aikaan tai sopeuttamaan toimintaansa tehokkaasti. • Taseeseen kirjattu HEREn liikearvo ei välttämättä ole kerrytettävissä. • HERE-liiketoiminnan liikevaihto riippuu ajoneuvomarkkinoiden yleisestä kehityksestä ja asiakkaiden liiketoiminnan olosuhteista. • HERE-liiketoiminnan liikevaihto ja erityisesti myynti autoteollisuudelle perustuu rajalliseen asiakasmäärään ja laajoihin monivuotisiin sopimuksiin.

		• Yleinen taloustilanne, markkinoiden epäedullinen kehitys, sääntelyn muutokset tai muut tapahtumat voivat vaikuttaa haitallisesti Nokia Technologies -liiketoiminnan patenttilisenssituloihin. • Nokia Technologies -liiketoiminnan patenttilisenssituloihin ja muihin immateriaalioikeuksista saataviin tuottoihin liittyy riskejä ja epävarmuustekijöitä ja ne voivat kehittyä epäedullisesti, mikäli Nokia ei pysty säilyttämään immateriaalioikeuksien nykyisiä tulonlähteitä tai luomaan uusia. • Nokia Technologies -liiketoiminnan patenttilisenssitulot ovat riippuvaisia rajoitetusta määrästä lisenssinsaajia, mukaan lukien Samsungista, joiden suhteellinen osuus patenttilisenssituloista on merkittävä. • Nokia Technologies -liiketoiminnan patenttien tai muun IPR-portfolion lisensointi ja Nokian immateriaalioikeuksien muu taloudellinen hyödyntäminen on riippuvainen riittävästä patentoitujen tai muilla omistusoikeuksilla suojattujen teknologioiden lainsäädännöllisestä suojasta. • Nokia Technologies -liiketoiminta pyrkii tuottamaan liikevaihtoa ja voittoa useilla liiketoiminta-alueilla, kuten teknologian lisensointi, Nokian tuotemerkin lisensointi ja muu uusi liiketoiminta (esimerkiksi teknologiainnovaatiot ja -hautomot), jotka eivät välttämättä toteudu suunnitelmien mukaisesti tai ollenkaan. Nokian HERE-liiketoiminnan ehdotettuun myyntiin liittyviä riskejä ovat muun muassa seuraavat tekijät: • Nokian HERE-liiketoiminnan ehdotettua myyntiä ei välttämättä toteuteta suunnitellussa aikataulussa tai ollenkaan. • Nokian HERE-liiketoiminnan ehdotettu myynti saattaa kestää kauan ja kääntää johdon huomion pois muista asioista. **Alcatel Lucent** Alcatel Lucentin liiketoimintaan liittyviä ja oikeudellisia riskejä ovat muun muassa seuraavat tekijät: • Alcatel Lucentin meneillään oleva rakennemuutosohjelma (Shift Plan) ei välttämättä tuota haluttuja tuloksia, eikä Alcatel Lucent välttämättä onnistu kääntämään liiketoimintaansa kannattavaksi. • Suhdanteet vaihtelevat televiestintäalalla ja monet tekijät vaikuttavat siihen, kuten taloudellinen ympäristö, Alcatel Lucentin tuotteita ja palveluja ostavien palveluntarjoajien ja muiden asiakkaiden päätökset teknologioiden käyttöönotosta ja hankintojen ajankohdasta ja toteutuksesta sekä viestintäpalvelujen kysyntä ja yritysten ja kuluttajien niihin käyttämä rahamäärä. • Alcatel Lucentin liiketoiminnassa tarvitaan merkittävästi rahavaroja, ja Alcatel Lucentin pitää mahdollisesti löytää lisää rahoituslähteitä, mikäli sen olemassa olevat maksuvalmiuslähteet eivät ole käytettävissä tai ne eivät riitä sen liiketoiminnan rahoittamiseen. • Luottoriskit ja kaupalliset riskit ja altistumiset saattavat lisääntyä, mikäli Alcatel Lucentin asiakkaiden taloudellinen tilanne heikkenee. • Mikäli Alcatel Lucent ei onnistu rajoittamaan markkinariskejä esimerkiksi rahoitusjohdannaisilla, tämä saattaa vaikuttaa haitallisesti Alcatel Lucentin taloudelliseen asemaan ja liiketoiminnan tulokseen. • Liikearvon tai muiden aineettomien hyödykkeiden arvonalentumisilla saattaa olla haitallinen vaikutus Alcatel Lucentin taloudelliseen asemaan tai liiketoiminnan tulokseen. • Alcatel Lucent toimii erittäin kilpaillulla toimialalla, jolla on useita toimijoita. Mikäli Alcatel Lucent ei onnistu kilpailemaan tehokkaasti, tällä voi olla haitallinen vaikutus sen liiketoimintaan. • Alcatel Lucentin tuotteet ja palvelut ovat teknologiavetoisia. Mikäli Alcatel Lucent ei pysy alan teknologian kehityksen mukana tai se panostaa

		teknologioihin, jotka eivät saa kaupallista hyväksyntää, asiakkaat eivät välttämättä osta Alcatel Lucentin tuotteita tai palveluja. • Alcatel Lucent on riippuvainen rajatusta määrästä sisäisiä ja ulkoisia valmistajia, jakelukeskuksia ja toimittajia. Mikäli ne eivät kykene toimimaan Alcatel Lucentin vaatimusten mukaisesti, tämä saattaa vaikuttaa haitallisesti Alcatel Lucentin kykyyn toimittaa tuotteita, palveluja ja ratkaisuja oikeaan aikaan ja riittävissä määrin sekä Alcatel Lucentin laatu- tai turvallisuusvaatimusten mukaisesti. • Alcatel Lucent on toteuttamassa talous- ja henkilöstöhallinnon prosessien ja palvelujen merkittävän osan ulkoistusta, joka lisää Alcatel Lucentin riippuvuutta ulkopuolisten palveluntarjoajien luotettavuudesta. Häiriöillä näiden prosessien ja palvelujen saatavuudessa saattaa olla olennaisen haitallinen vaikutus näiden Alcatel Lucentin liiketoiminnassa olennaisen tärkeiden prosessien ja palvelujen toimivuuteen ja laatuun sekä Alcatel Lucentin kykyyn sopeutua liiketoiminnan tarpeiden muutoksiin. • Tietojärjestelmäriskit, tietoturvaloukkaukset, kyberhyökkäykset ja teollisuusvakoilu saattavat johtaa Alcatel Lucentin omistamien tai ulkopuolisten osapuolten sille luovuttamien luottamuksellisten tietojen tai aineettoman omaisuuden luvattomaan käyttöön tai menettämiseen sekä häiritä Alcatel Lucentin omien tai kolmansien osapuolten puolesta hallittavien järjestelmien käytettävyyttä. • Monet Alcatel Lucentin nykyiset ja suunnitellut tuotteet ovat erittäin monimutkaisia, ja ne saattavat sisältää puutteita tai virheitä, jotka havaitaan vasta televiestintäverkossa käyttöönoton jälkeen. Mikäli näin tapahtuu, tämä saattaa vahingoittaa Alcatel Lucentin mainetta. • Nykyisten säännösten tai teknisten standardien nopea muuttuminen tai uusien säännösten tai teknisten standardien käyttöönotto sellaisissa tuotteissa ja palveluissa, joita ei ole aikaisemmin säännelty, saattaa olla haitallista, aikaavievää ja kallista Alcatel Lucentille. • Alcatel Lucentin kymmenen suurimman asiakkaan osuus Alcatel Lucentin liikevaihdosta vuoden 2015 ensimmäisen puoliskon aikana oli 54 % (Verizonin osuus liikevaihdosta oli 17 %, AT&T:n 13 % ja Sprintin 6 %), ja suurin osa Alcatel Lucentin liikevaihdosta on peräisin televiestintäpalvelujen tarjoajilta. Yhden tai useamman avainasiakkaan menetys, näiden palveluntarjoajien ostojen vähentyminen tai kykenemättömyys Alcatel Lucentin asiakaskunnan laajentamisessa ja hajauttamisessa muihin kuin palveluntarjoajiin saattaa heikentää merkittävästi Alcatel Lucentin liikevaihtoa, kannattavuutta ja rahavirtoja. • Alcatel Lucentilla on pitkäaikaisia myyntisopimuksia useiden asiakkaiden kanssa. Osa näistä sopimuksista saattaa osoittautua kannattamattomiksi Alcatel Lucentin kustannusten ja tuotejakauman muuttuessa näiden sopimusten voimassaoloaikana. • Alcatel Lucentilla on merkittävää kansainvälistä toimintaa, ja merkittävä osa sen liikevaihdosta muodostuu kehittyvillä markkinoilla. • Alcatel Lucent -konsernin Yhdysvaltojen eläkejärjestelyt ja muut työsuhteen jälkeiset etuusjärjestelyt ovat suuria ja niiden rahoitusvaatimukset vaihtelevat niihin kohdistettujen varojen sijoitustuoton, rahoitusmarkkinoiden maailmanlaajuisen kehityksen, korkojen, järjestelyissä mukana olevien työntekijöiden ja eläkeläisten elinikäodotuksen, terveydenhuollon kustannusten nousun ja lakisääteisten vaatimusten muuttumisen perusteella. Vaikka nämä järjestelyt ovat tällä hetkellä täysin rahoitettuja, ne ovat kalliita ja Alcatel Lucentin toimenpiteet lisärahoitusvaatimusten täyttämiseksi tai kustannusten hallitsemiseksi saattavat osoittautua tehottomiksi. • Diskonttokorkojen ja sijoitusten arvon vaihtelu vaikuttaa Alcatel Lucentin eläkejärjestelyjen rahoitettuun osuuteen.

		• Eläkejärjestelyihin kuuluvissa ja työsuhteen päättymisen jälkeen sovellettavissa terveydenhuoltojärjestelyissä mukana olevien henkilöiden elinikä saattaa ylittää odotukset ja nostaa Alcatel Lucentin etuusvastuuta. • Alcatel Lucent ei välttämättä pysty rahoittamaan aikaisempien työntekijöidensä sairaus- ja ryhmähenkivakuutuksia niihin Yhdysvaltain verolain (Internal Revenue Code) 420 artiklan mukaisesti kohdistettavilla ylimääräisillä eläkevaroilla. • Terveydenhuollon kustannusten nousu ja terveydenhuoltopalvelujen käytön lisääntyminen saattaa kasvattaa merkittävästi Alcatel Lucentilta eläkkeelle siirtyneiden terveydenhuoltokuluja. • Alcatel Lucentin Optics-divisioona asentaa ja ylläpitää merenalaisia televiestintäkaapeliverkkoja, ja tämän toiminnan yhteydessä Alcatel Lucent saattaa vahingoittaa olemassa olevia merenalaisia rakenteita, ja Alcatel Lucent saattaa olla viime kädessä vastuussa tällaisista vahingoista. • Alcatel Lucent on osallisena oikeudenkäynneissä, joissa Alcatel Lucentille epäedullinen lopputulos saattaisi vaatia Alcatel Lucentia maksamaan merkittäviä vahingonkorvauksia. • Alcatel Lucent on ollut ja on tulevaisuudessakin korruptiolainsäädäntöön liittyvien tutkimusten kohteena, ja sille on määrätty ja saatetaan tulevaisuudessakin määrätä merkittäviä sakkoja, rangaistuksia ja muita seuraamuksia tällaisten tutkimusten seurauksena. • Mikäli Alcatel Lucent ei kykene suojaamaan immateriaalioikeuksiaan, tämä saattaa vaikuttaa haitallisesti sen liiketoimintaan ja tulevaisuudennäkymiin. • Alcatel Lucentia vastaan on käynnistetty immateriaalioikeuksia koskevia oikeudenkäyntejä ja loukkauskanteita, jotka voivat aiheuttaa merkittäviä kustannuksia Alcatel Lucentille tai estää sitä myymästä tiettyjä tuotteita. • Alcatel Lucent on mukana merkittävissä yhteisyrityksissä, jotka väistämättä altistavat sen yhteisesti johdettuihin yrityksiin liittyville ongelmille. • Alcatel Lucentiin sovelletaan ympäristö-, terveys- ja turvallisuussäädöksiä, jotka rajoittavat sen toimintaa.
D.3	**Arvopapereille ominaiset riskit**	Nokian Osakkeisiin, Osakevaihtotarjoukseen ja pakolliseen lunastusmenettelyyn liittyviä riskejä ovat muun muassa seuraavat tekijät: • Epäonnistuminen Nokian osakkeenomistajien hyväksynnän[11] saamisessa sekä tietyt muut olosuhteet voivat laukaista Nokialle merkittäviä irtisanomismaksuja, ja epäonnistuminen Nokian osakkeenomistajien hyväksynnän saamisessa ja muut täyttymättä jäävät Edellytykset (määritelty jäljempänä) saattavat estää Osakevaihtotarjouksen toteuttamisen, millä saattaa olla olennaisen haitallinen vaikutus Nokian liiketoimintaan, taloudelliseen asemaan, liiketoiminnan tulokseen ja Nokian osakkeiden markkinahintaan. • Osakevaihtotarjouksen vaihtosuhde on kiinteä eikä sitä muuteta kyseessä olevien arvopapereiden hintojen muuttumisen perusteella. Koska Nokian Osakkeiden ja Nokian ADS-osaketalletustodistusten markkinahinta vaihtelee, Alcatel Lucentin Arvopapereiden haltijat eivät voi olla varmoja Osakevaihtotarjouksen yhteydessä annettavien Nokian Osakkeiden tai Nokian ADS-osaketalletustodistusten markkinahinnasta. • Nokian Osakkeiden ja Nokian ADS-osaketalletustodistusten arvo saattaa laskea. • Nokian Osakkeiden liikkeeseenlasku Osakevaihtotarjouksessa saattaa vaikuttaa epäedullisesti Nokian Osakkeiden ja Nokian ADS-osaketalletustodistusten hintaan.

[11] "Nokian osakkeenomistajien hyväksyntä" tarkoittaa, että Nokian osakkeenomistajat ovat hyväksyneet Nokian hallitukselle annettavan valtuutuksen antaa uusia Nokian Osakkeita siinä määrin, kuin mitä tarvitaan Nokian Osakkeiden luovuttamiseksi vastikkeena Osakevaihtotarjouksessa vaihdettavaksi tarjotuista Alcatel Lucentin Arvopapereista ja Osakevaihtotarjouksen toteutumiseksi.

		• Nokia ei välttämättä onnistu Osakevaihtotarjouksen jälkeen toteuttamaan liiketoimintasuunnitelmiaan, menestyksekkäästi integroimaan Alcatel Lucentin liiketoimintaa tai saavuttamaan tavoiteltuja synergia- tehokkuushyötyjä. • Nokian Alcatel Lucentin hankkimisesta odottamat hyödyt perustuvat arvioihin, jotka riippuvat ulkoisista tekijöistä, eikä niitä välttämättä saavuteta suunnitellussa aikataulussa tai ollenkaan. • Osakevaihtotarjouksen toteuttaminen johtaa määräysvallan vaihtumiseen Alcatel Lucentissa, mikä saattaa velvoittaa maksamaan takaisin joitakin Alcatel Lucentin nykyisistä veloista. • Osakevaihtotarjouksen yhteydessä suunniteltujen transaktioiden toteuttaminen johtaa määräysvallan vaihtumiseen Alcatel Lucentissa, mikä saattaa velvoittaa lunastamaan kaikki OCEANE-vaihtovelkakirjalainat. • Osakevaihtotarjous laukaisee tiettyjen Alcatel Lucentin sopimusten ehtoja, jotka saattavat edellyttää Alcatel Lucentia maksamaan määräysvallan vaihtumiseen perustuvia maksuja tai oikeuttavat vastapuolen päättämään kyseessä olevan sopimuksensa Alcatel Lucentin kanssa. • Nokia ei ole tarkistanut Listalleottoesitteessä esitettyjen tai siihen viittaamalla sisällytettyjen Alcatel Lucentia koskevien tietojen luotettavuutta, ja tämän seurauksena Nokian arviot Osakevaihtotarjouksen toteuttamisen vaikutuksista Listalleottoesitteessä esitettyihin pro forma -muotoisiin taloudellisiin tietoihin saattavat olla virheellisiä. • Listalleottoesitteen sisältämät tilintarkastamattomat lyhennetyt yhdistetyt pro forma -muotoiset taloudelliset tiedot on esitetty ainoastaan havainnollistamis-tarkoituksissa ja ne saattavat poiketa olennaisesti Yhdistyneen Yhtiön liiketoiminnan tuloksesta ja taloudellisesta asemasta pro forma -tapahtumien toteutumisen jälkeen. • Mikäli Nokia ei saa Osakevaihtotarjouksessa haltuunsa kaikkia Alcatel Lucentin Arvopapereita, tämä vaikuttaa jäljelle jäävien Alcatel Lucentin Arvopapereiden markkinoihin ja voi vaikuttaa epäedullisesti niiden likviditeettiin ja markkina-arvoon. • Alcatel Lucentin osakkeenomistajilla on pienempi omistusosuus ja vähemmän ääniä Yhdistyneessä Yhtiössä. • Nokian Osakkeiden tulevat liikkeeseenlaskut saattavat laimentaa kaikkia muita osakeomistuksia. • Nokian Osakkeiden listaaminen Euronext Parisiin ei välttämättä onnistu odotetulla tavalla tai lainkaan. • Joidenkin Alcatel Lucentin hallituksen jäsenten tai johtajien taloudelliset intressit Osakevaihtotarjouksessa saattavat poiketa Alcatel Lucentin Arvopapereiden haltijoiden intresseistä tai heillä voi olla muita intressejä. • Nokian ADS-osaketalletustodistusten haltijat eivät välttämättä pysty käyttämään äänioikeuttaan tai ottamaan vastaan jaettavia varoja yhtä helposti kuin Nokian Osakkeiden omistajat. • Kun Alcatel Lucentin osakkeenomistaja vastaanottaa Nokian Osakkeita Osakevaihtotarjouksessa, hänen oikeutensa osakkeenomistajana saattavat muuttua, koska Nokia on suomalainen osakeyhtiö ja aikaisemmin hän omisti ranskalaisen Alcatel Lucentin osakkeita. • Alcatel Lucentin Arvopapereiden haltijat saatetaan velvoittaa luovuttamaan heidän omistamansa Alcatel Lucentin Arvopaperit Nokialle, mikäli Nokia toteuttaa Ranskan lakiin perustuvan pakollisen lunastusmenettelyn tai ryhtyy muihin toimenpiteisiin vahvistaakseen omistustaan Alcatel Lucentissa. • Mikäli Nokia ei onnistu lunastamaan jäljellä olevia Alcatel Lucentin Arvopapereita, tämä saattaa vaikuttaa epäedullisesti Nokian Osakkeiden ja Nokian ADS-osaketalletustodistusten arvoon, eikä Nokia välttämättä pysty saavuttamaan Osakevaihtotarjouksesta odotettuja hyötyjä täysimääräisesti.

		• Osakevaihtotarjouksen toteuttaminen saattaa aiheuttaa Nokialle epäedullisia veroseuraamuksia johtuen Alcatel Lucentin omistuksen muuttumisesta. • Tietyt osakkeenomistajat eivät välttämättä pysty käyttämään merkintä-etuoikeuksiaan. • Nokian Osakkeiden tulevat myynnit saattavat laskea Nokian Osakkeiden hintaa. • Osakkeenomistajille kultakin tilikaudelta jaettavan osingon ja pääoman palautuksen määrä on epävarma.

Jakso E — Tarjous		
E.1	**Kokonaistuotot ja -kulut**	Nokia ei saa käteistuottoja Osakevaihtotarjouksesta. Osakevaihtotarjouksen, Nokian Osakkeiden Euronext Parisiin listaamisen, annettavien uusien Nokian Osakkeiden Nasdaq Helsinkiin listaamisen ja uusien Nokian ADS-osaketalletustodistusten NYSE:en listaamisen yhteydessä Nokialle ja sen konserniyhtiöille aiheutuvat kulut, mukaan lukien ulkopuolisten taloudellisten ja oikeudellisten neuvonantajien sekä muiden asiantuntijoiden ja konsulttien käyttöön liittyvät kulut sekä tiedotuskulut, ovat arviolta yli 110 miljoonaa euroa (pois lukien verot).
E.2a	**Osakevaihto-tarjouksen syyt, tuottojen käyttö ja arvioidut kokonais-nettotuotot**	Nokia ja Alcatel Lucent solmivat 15.4.2015 Memorandum of Understanding -sopimuksen, jonka ehtojen mukaan Nokia tarjoutuu hankkimaan kaikki Alcatel Lucentin Arvopaperit Osakevaihtotarjouksella. Osakevaihtotarjous toteutetaan Nokian ja Alcatel Lucentin liiketoimintojen yhdistämiseksi. Yhtiöiden yhdistämisen strategisia perusteita ovat muun muassa: • vastataan toimialan perusrakenteiden muutokseen luomalla kattavan tuotevalikoiman tarjoava suuren mittakaavan toimija, jolla on maailmanlaajuisesti johtava asema monissa tuotteissa, ohjelmistoissa ja palveluissa; • yhtiöiden tuotevalikoimat, asiakkaat ja maantieteellinen läsnäolo täydentävät toisiaan; • vahvemmat tutkimus- ja kehitysvalmiudet luovat innovaatiovoimalan, jolla on merkittävät yhdistetyt T&K-resurssit; • molempien yhtiöiden viimeaikaiset saavutukset ja yhteinen tulevaisuudenvisio; • mahdollisuus saavuttaa merkittäviä kustannussäästöjä ja muita synergioita; ja • pääomarakenne ja tase vahvistuvat. Yhdistynyt yhtiö tavoittelisi noin 900 miljoonan euron synergiaetujen saavuttamista operatiivisissa kuluissa vuoden 2019 aikana olettaen, että Osakevaihtotarjous saatetaan loppuun vuoden 2016 ensimmäisen puoliskon aikana. Yhdistyneen Yhtiön tavoitteena tulisi myös olemaan noin 200 miljoonan euron säästöjen saavuttaminen korkokustannuksissa vuositasolla vuoden 2017 aikana. Perustuen Nokian ja Alcatel Lucentin 31.12.2014 päättyneen vuoden liikevaihtoon, osuus Yhdistyneen Yhtiön liikevaihdosta Pohjois-Amerikassa olisi ollut 30 % (Nokia: 15 %; Alcatel Lucent: 44 %), Euroopassa 27 % (Nokia: 31 %; Alcatel Lucent: 23 %), Asiassa/Tyynenmeren alueella/Japanissa/Intiassa 18 % (Nokia: 26 %; Alcatel Lucent: 10 %), Kiinassa 11 % (Nokia: 11 %; Alcatel Lucent: 10 %), Lähi-Idässä ja Afrikassa 8 % (Nokia: 9 %; Alcatel Lucent: 8 %) ja Latinalaisessa Amerikassa 7 % (Nokia: 8 %; Alcatel Lucent: 5 %). Yhdistyneen Yhtiön liikevaihto on laskettu laskemalla yhteen Nokian ja Alcatel Lucentin maakohtaiset liikevaihdon määrät. Näitä yhdistettyjä liikevaihdon määriä ei tule pitää muualla Listalleottoesitteessä

		esitettyjen pro forma -tietojen korvikkeena, koska näitä määriä ei ole laadittu samoja perusteita käyttäen.
E.3	**Osakevaihto-tarjouksen ehdot**	Nokia tarjoutuu Osakevaihtotarjouksen ehtojen mukaisesti hankkimaan kaikki Alcatel Lucentin Arvopaperit toteuttamalla Osakevaihtotarjouksen, jossa Alcatel Lucentin Arvopaperit vaihdetaan Nokian Osakkeisiin tai Nokian ADS-osaketalletustodistuksiin. Osakevaihtotarjous muodostuu Yhdysvalloissa toteutettavasta tarjouksesta (”Yhdysvaltojen osakevaihtotarjous”) ja Ranskassa toteutettavasta tarjouksesta (”Ranskan osakevaihtotarjous”). Yhdysvaltojen osakevaihtotarjous tehdään Schedule TO -asiakirjan (”Schedule TO”) mukaisesti kaikille Alcatel Lucentin osakkeenomistajille Yhdysvalloissa, kaikille Alcatel Lucentin ADS-osaketalletustodistusten haltijoille heidän sijainnistaan riippumatta ja kaikille OCEANE-vaihtovelkakirjalainojen haltijoille Yhdysvalloissa. Alcatel Lucentin osakkeenomistajat saavat jokaisesta Yhdysvaltojen osakevaihtotarjouksessa hyväksyttävästi tarjoamastaan Alcatel Lucentin Osakkeesta 0,55 Nokian Osaketta. Alcatel Lucentin ADS-osaketalletustodistusten haltijat saavat jokaisesta Yhdysvaltojen osakevaihtotarjouksessa hyväksyttävästi tarjoamastaan Alcatel Lucentin ADS-osaketalletustodistuksesta 0,55 Nokian ADS-osaketalletustodistusta. Alcatel Lucentin OCEANE-vaihtovelkakirjalainojen haltijat saavat jokaisesta Yhdysvaltojen osakevaihtotarjouksessa hyväksyttävästi tarjoamastaan OCEANE-vaihtovelkakirjalainasta sellaisen lukumäärän Nokian Osakkeita, joka perustuu vaihtosuhteeseen 0,55 Nokian Osaketta jokaisesta Alcatel Lucentin Osakkeesta, joka annettaisiin tai olisi vaihdettavissa kyseisen OCEANE-vaihtovelkakirjalainan konversion/vaihdon yhteydessä Osakevaihtotarjouksen alkamispäivänä sovellettavalla konversio-/vaihtosuhteella. Yhdysvaltojen ulkopuolella sijaitsevat Alcatel Lucentin ADS-osaketalletustodistusten haltijat voivat osallistua Yhdysvaltojen osakevaihtotarjoukseen vain siinä tapauksessa, että heihin sovellettavat paikalliset lait ja määräykset sallivat osallistumisen Yhdysvaltojen osakevaihtotarjoukseen. Ranskan osakevaihtotarjous tehdään Ranskassa sijaitsevien Alcatel Lucentin osakkeenomistajien ja OCEANE-vaihtovelkakirjalainojen haltijoiden saataville asetettavan Ranskan vaihtotarjousasiakirjan mukaisesti, ja siinä tarjotaan 0,55 Nokian Osaketta jokaisesta Alcatel Lucentin Osakkeesta, ja jokaisesta Ranskan osakevaihtotarjouksessa hyväksyttävästi tarjotusta OCEANE-vaihtovelkakirjalainasta sellainen lukumäärä Nokian Osakkeita, joka perustuu vaihtosuhteeseen 0,55 Nokian Osaketta jokaisesta Alcatel Lucentin Osakkeesta, joka annettaisiin kyseisen OCEANE-vaihtovelkakirjalainan konversion tai vaihdon yhteydessä Osakevaihtotarjouksen alkamispäivänä sovellettavalla konversio-/vaihtosuhteella. Ranskan ulkopuolella sijaitsevat Alcatel Lucentin osakkeenomistajat ja OCEANE-vaihtovelkakirjalainojen haltijat voivat osallistua Ranskan osakevaihtotarjoukseen vain siinä tapauksessa, että heihin sovellettavat paikalliset lait ja määräykset sallivat tämän. Yhdysvaltojen osakevaihtotarjouksen odotetaan alkavan samana päivänä tai suunnilleen samana päivänä kuin Ranskan osakevaihtotarjouksen, sen jälkeen kun Nokia on rekisteröinyt Schedule TO:n Yhdysvaltojen arvopaperimarkkinaviranomaiselle (”SEC”). Yhdysvaltojen osakevaihtotarjous päättyy ja oikeus perua Yhdysvaltojen osakevaihtotarjouksessa annettu hyväksyntä Alcatel Lucentin Osakkeiden ja OCEANE-vaihtovelkakirjalainojen vaihtamiselle raukeaa Päättymispäivänä[12].

[12] Yhdysvaltojen osakevaihtotarjous ja peruutusoikeudet Alcatel Lucentin Osakkeiden ja OCEANE-vaihtovelkakirjalainojen tarjoajille Yhdysvaltojen osakevaihtotarjouksessa päättyvät Yhdysvaltojen osakevaihtotarjouksen päättymispäivänä (”Päättymispäivä”), joka päivä voi olla aikaisintaan 25 Ranskan pankkipäivää Ranskan osakevaihtotarjouksen alkamisen jälkeen, ellei Yhdysvaltojen osakevaihtotarjousta jatketa.

		Ranskan osakevaihtotarjouksen odotetaan alkavan sen jälkeen kun Ranskan arvopaperimarkkinaviranomainen (”AMF”) on hyväksynyt Ranskan osakevaihtotarjouksen. Hyväksyntä odotetaan saatavan ennen Nokian ylimääräistä yhtiökokousta 2.12.2015. Ranskan osakevaihtotarjous on auki 25 Ranskan pankkipäivän ajan, ellei Ranskan osakevaihtotarjousta pidennetä tai keskeytetä aikaisemmin AMF:n yleisen sääntelyn (General Regulation) mukaisesti. Sovellettavien AMF:n ja SEC:n sääntöjen ja määräysten sekä Memorandum of Understanding -sopimuksen sallimissa rajoissa Nokia nimenomaisesti pidättää oikeuden milloin tahansa ja kulloinkin: • perua Yhdysvaltojen osakevaihtotarjouksen tai muuttaa sitä (ja olla hyväksymättä tarjousajan päättymisen jälkeen Alcatel Lucentin Arvopapereita), mikäli mikä tahansa Edellytyksistä (määritelty alla) ei täyty; • perua Ranskan osakevaihtotarjouksen AMF:n yleisen sääntelyn (General Regulation) mukaisesti ennen Ranskan osakevaihtotarjouksen päättymistä AMF:n etukäteen antamalla luvalla, mikäli (i) Osakevaihtotarjous menettää tarkoituksensa tai (ii) (A) Alcatel Lucent ryhtyy toimenpiteisiin rakenteensa muuttamiseksi tarjousaikana tai mikäli Osakevaihtotarjous menestyy tai (B) Alcatel Lucentin toimenpiteet tekevät Osakevaihtotarjouksen jatkamisen erityisen epäedulliseksi. Ranskan osakevaihtotarjous voidaan perua Ranskan osakevaihtotarjouksen päättymiseen asti. AMF:n yleinen sääntely (General Regulation) ei määrittele, missä olosuhteissa tarjous menettää tarkoituksensa tai on erityisen epäedullinen. AMF tekee päätöksen tästä tapauskohtaisesti. Ranskan osakevaihtotarjouksen peruminen luultavasti vaikuttaisi olennaisen epäedullisesti Yhdysvaltojen osakevaihtotarjoukseen, ja johtaisi luultavasti Vähimmäisehdon[13] täyttymättä jäämiseen; ja • luopua mistä tahansa Edellytyksestä (määritelty alla) tai muuttaa Osakevaihtotarjousta millä tahansa muulla tavalla, ottaen huomioon, että AMF:n yleisten määräysten mukaan Nokia ei voi muuttaa Ranskan osakevaihtotarjouksen ehtoja osakkeenomistajille epäedullisella tavalla, muutokset on tehtävä viimeistään viisi Ranskan pankkipäivää ennen Ranskan osakevaihtotarjouksen päättymistä ja muutokset edellyttävät AMF:n etukäteen antamaa hyväksyntää. Myös Yhdysvaltojen osakevaihtotarjouksessa olennaisesta ehdosta luopuminen tai muu olennainen muutos voi edellyttää Yhdysvaltojen osakevaihtotarjouksen tarjousajan jatkamista, jos ehdosta luopuminen tai olennainen muutos tehdään tapauksesta riippuen kymmenen tai viisi Yhdysvaltojen pankkipäivää ennen Yhdysvaltojen osakevaihtotarjoukselle asetettua päättymispäivää. Mikäli Nokia luopuu

[13] ”Vähimmäisehto” tarkoittaa, että AMF:n julkistaessa Ranskan osakevaihtotarjouksen tulokset Osakevaihtotarjouksen ehtojen mukaisesti hyväksyttävästi vaihdettavaksi tarjotut Alcatel Lucentin Arvopaperit edustavat yhdessä Yhdysvaltojen osakevaihtotarjouksen tulosten kanssa yli 50 % Alcatel Lucentin Osakkeista ottaen huomioon täysi laimennusvaikutus. Vähimmäisehtoa varten ”täysin laimentamattomat” Alcatel Lucentin Osakkeet lasketaan seuraavasti:

- osoittaja on seuraavien summa: (i) kaikki Osakevaihtotarjouksen päättymispäivänä Osakevaihtotarjouksessa hyväksyttävästi tarjotut Alcatel Lucentin Osakkeet (mukaan lukien ADS-osaketalletustodistusten edustamat Alcatel Lucentin Osakkeet) ja (ii) kaikki Osakevaihtotarjouksen päättymispäivänä Osakevaihtotarjouksessa hyväksyttävästi tarjottujen OCEANE-vaihtovelkakirjalainojen konvertoinnin perusteella liikkeeseen laskettavissa olevat Alcatel Lucentin Osakkeet, ottaen huomioon kyseessä oleviin OCEANE-vaihtovelkakirjalainoihin sovellettava konversiosuhde Osakevaihtotarjouksen päättymispäivänä; ja

- nimittäjä on seuraavien summa: (i) kaikki liikkeeseen lasketut ja liikkeessä olevat Alcatel Lucentin Osakkeet (mukaan lukien ADS-osaketalletustodistusten edustamat Alcatel Lucentin Osakkeet) Osakevaihtotarjouksen päättymispäivänä ja (ii) kaikki milloin tahansa ennen Osakevaihtotarjouksen päättymispäivää, päättymispäivänä tai sen jälkeen käyttämättömien optioiden, optiotodistusten, konvertoitavissa olevien arvopapereiden tai osto-oikeuksien perusteella, mukaan lukien Alcatel Lucentin osakeoptioiden käyttäminen tai Alcatel Lucentin työsuoritusosakkeiden ostaminen OCEANE-vaihtovelkakirjalainojen konvertoinnin perusteella (ottaen huomioon kyseessä oleviin OCEANE-vaihtovelkakirjalainoihin sovellettava konversiosuhde Osakevaihtotarjouksen päättymispäivänä), liikkeeseen laskettavissa olevat Alcatel Lucentin Osakkeet.

		Vähimmäisehdosta, AMF:n yleisten määräysten mukaan Osakevaihtotarjous raukeaa, mikäli Nokia ei saavuta Pakollista hyväksymisen alarajaa[14]. Lisäksi Memorandum of Understanding -sopimuksen mukaan Nokia ei voi ilman Alcatel Lucentin etukäteen antamaa kirjallista suostumusta muuttaa tai täydentää Osakevaihtotarjouksen mitään ehtoa tai Edellytystä (määritelty jäljempänä) tai luopua niistä (lukuun ottamatta Vähimmäisehtoa) Alcatel Lucentille tai Alcatel Lucentin Arvopapereiden haltijoille olennaisen epäedullisella tavalla. Mahdollinen jatkettu tarjousaika on lisäjakso sen jälkeen, kun Nokia on hankkinut Alcatel Lucentin Arvopapereita Osakevaihtotarjouksella, ja sen aikana sijoittajat voivat tarjota Alcatel Lucentin Arvopapereita ja saada Osakevaihtotarjouksen mukaisen vastikkeen mutta eivät perua tarjoustaan. Memorandum of Understanding -sopimuksen ja AMF:n yleisten määräysten 232-4 artiklan mukaan jos Osakevaihtotarjouksessa on tarjottu vaihdettavaksi enemmän kuin 50 % mutta vähemmän kuin 95 % Alcatel Lucentin osakepääomasta ja äänistä eikä niitä koskevia tarjouksia ole peruttu, Ranskan osakevaihtotarjouksessa aloitetaan jatkettu tarjousaika. AMF:n yleisten määräysten mukaan jatkettu tarjousaika alkaa Ranskan osakevaihtotarjouksessa viimeistään kymmenen Ranskan pankkipäivää sen jälkeen, kun AMF on julkistanut Ranskan osakevaihtotarjouksen tulokset (ottaen huomioon Yhdysvaltojen osakevaihtotarjouksen tulokset), ja sen tulee kestää vähintään kymmenen Ranskan pankkipäivää. Memorandum of Understanding -sopimuksen mukaan Nokia on sitoutunut varmistamaan soveltuvien lakien mukaisesti, että Yhdysvaltojen osakevaihtotarjous on voimassa Ranskan osakevaihtotarjouksen voimassaoloa vastaavana aikana (mukaan lukien Ranskan osakevaihtotarjouksen mahdollinen jatkettu tarjousaika). Jos jatkettu tarjousaika aloitetaan, Nokia julkistaa Osakevaihtotarjouksen tulokset, mukaan lukien tarjottujen Alcatel Lucentin osakkeiden arvioidun määrän ja prosenttiosuuden, viimeistään yhdeksän Ranskan pankkipäivää Osakevaihtotarjouksen päättymisen jälkeen ja aloittaa tämän jälkeen jatketun tarjousajan AMF:n yleisten määräysten mukaisesti. Nokia nimenomaisesti pidättää oikeuden täysin oman harkintansa mukaan käyttää Yhdysvaltojen osakevaihtotarjouksessa jatkettua tarjousaikaa Ranskan osakevaihtotarjouksen jatkettua tarjousaikaa vastaavalla tavalla tai muutoin. Lisäksi Nokia nimenomaisesti pidättää oikeuden täysin oman harkintansa mukaan jatkaa Yhdysvaltojen osakevaihtotarjouksen jatkettua tarjousaikaa ilmoittamalla tästä suullisesti tai kirjallisesti osakevaihtoasiamiehelle Yhdysvalloissa. Yhdysvaltojen osakevaihtotarjouksessa annetut tarjoukset Alcatel Lucentin ADS-osaketalletustodistusten vaihtamisesta voidaan perua milloin tahansa ennen ADS-

[14] ”Pakollinen hyväksymisen alaraja” tarkoittaa, että Alcatel Lucentin Osakkeet edustavat yli 50 % Alcatel Lucentin osakepääomasta tai äänimäärästä ottaen tarvittaessa huomioon Osakevaihtotarjouksessa hyväksyttävästi tarjottujen OCEANE-vaihtovelkakirjalainojen konvertoinnista seuraavat Alcatel Lucentin Osakkeet. Pakollinen hyväksymisen alaraja lasketaan seuraavasti:

- osoittaja on seuraavien summa: (i) kaikki Osakevaihtotarjouksen päättymispäivänä Osakevaihtotarjouksessa hyväksyttävästi tarjotut Alcatel Lucentin Osakkeet (mukaan lukien Alcatel Lucentin ADS-osaketalletustodistusten edustamat Alcatel Lucentin Osakkeet) ja (ii) kaikki Osakevaihtotarjouksen päättymispäivänä Osakevaihtotarjouksessa hyväksyttävästi tarjottujen OCEANE-vaihtovelkakirjalainojen konvertoinnin perusteella liikkeeseen laskettavissa olevat Alcatel Lucentin Osakkeet, ottaen huomioon kyseessä oleviin OCEANE-vaihtovelkakirjalainoihin sovellettava konversiosuhde Osakevaihtotarjouksen päättymispäivänä, ja (iii) kaikki Alcatel Lucentin ja sen tytäryhtiöiden hallussa olevat Alcatel Lucentin Osakkeet; ja
- nimittäjä on seuraavien summa: (i) kaikki liikkeeseen lasketut ja liikkeessä olevat Alcatel Lucentin Osakkeet (mukaan lukien Alcatel Lucentin ADS-osaketalletustodistusten edustamat Alcatel Lucentin Osakkeet) Osakevaihtotarjouksen päättymispäivänä ja (ii) kaikki Osakevaihtotarjouksen päättymispäivänä Osakevaihtotarjouksessa hyväksyttävästi tarjottujen OCEANE-vaihtovelkakirjalainojen konvertoinnin perusteella liikkeeseen laskettavat Alcatel Lucentin Osakkeet, ottaen huomioon kyseessä oleviin OCEANE-vaihtovelkakirjalainoihin sovellettava konversiosuhde Osakevaihtotarjouksen päättymispäivänä.

		osaketalletustodistusten tarjoamisen määräaikaa[15]. Tarjoukset Alcatel Lucentin Osakkeiden tai OCEANE-vaihtovelkakirjalainojen vaihtamisesta voidaan perua milloin tahansa ennen Päättymispäivää. Näitä perumisoikeuksia ei kuitenkaan voi käyttää Yhdysvaltojen osakevaihtotarjouksen päättymisen jälkeen ja ennen mahdollisen jatketun tarjousajan alkamista. Lisäksi kaikkien Edellytysten täyttyessä, lukuun ottamatta Vähimmäisehtoa, näitä perumisoikeuksia ei voi käyttää silloin, kun Osakevaihtotarjouksessa tarjottuja arvopapereita lasketaan. Nokian velvollisuus hyväksyä ja vaihtaa Osakevaihtotarjouksessa hyväksyttävästi tarjottuja Alcatel Lucentin Arvopapereita edellyttää ainoastaan: • Vähimmäisehdon täyttymistä, tai jos Nokia luopuu Vähimmäisehdosta täysin oman harkintansa mukaan, Pakollisen hyväksymisen alarajan saavuttamista; ja • Nokian osakkeenomistajien hyväksynnän saamista; joihin viitataan yhdessä ”Edellytyksinä” ja kuhunkin erikseen ”Edellytyksenä”. Nokia päättää täysin oman harkintansa mukaan Alcatel Lucentin Arvopapereiden vaihtamiseksi tehtyjen tarjousten pätevyyttä, muotoa, kelvollisuutta, vastaanoton ajankohtaa ja hyväksyntää koskevista asioista, ja Nokian päätös on lopullinen ja sitova. Nokia pidättää täyden oikeuden hylätä mitkä tahansa Alcatel Lucentin Arvopapereiden vaihtamiseksi tehty tarjous, jonka Nokia katsoo olevan muodoltaan virheellinen tai jonka hyväksyminen saattaisi olla lainvastaista. Nokia pidättää myös täyden oikeuden olla huomioimatta puutteita tai poikkeamia minkä tahansa Alcatel Lucentin Arvopapereiden haltijan tekemässä tarjouksessa riippumatta siitä, onko vastaavia puutteita tai poikkeamia jätetty huomioimatta muiden sijoittajien osalta. Mitään Alcatel Lucentin Arvopapereiden vaihtamiseksi tehtyä tarjousta ei katsota hyväksyttävästi tehdyksi, ennen kuin kaikki siihen liittyvät puutteet tai poikkeamat on korjattu tai ne on päätetty jättää huomioimatta. Nokian, Yhdysvaltojen osakevaihtoasiamiehen tai kenenkään muun velvollisuutena ei ole ilmoittaa puutteista tai poikkeamista missään Alcatel Lucentin Arvopapereiden vaihtamista koskevassa tarjouksessa, eikä näille tahoille aiheudu minkäänlaista korvausvastuuta tällaisen ilmoituksen antamatta jättämisestä. Nokian tulkinnat Osakevaihtotarjouksen ehdoista ja Edellytyksistä, mukaan lukien letter of transmittal -asiakirja ja siihen kuuluvat ohjeet, ovat lopullisia ja sitovia. AMF ilmoittaa Ranskan osakevaihtotarjouksen tulokset (ottaen huomioon Yhdysvaltojen osakevaihtotarjouksen tulokset) viimeistään yhdeksän Ranskan pankkipäivää Ranskan osakevaihtotarjouksen tarjousajan ja mahdollisen jatketun tarjousajan päättymisen jälkeen. Myös Nokia ilmoittaa Osakevaihtotarjouksen ja mahdollisen jatketun tarjousajan tulokset julkisella tiedotteella samana päivänä kun AMF julkistaa tulokset. Lisäksi tiedote julkaistaan Nokian verkkosivuilla www.nokia.com. Tiedot Nokian internet-sivuilla eivät muodosta osaa Listalleottoesitteestä eikä niitä ole sisällytetty tähän tiivistelmään eikä Listalleottoesitteeseen viittaamalla. Jos Edellytykset hyväksyä ja vaihtaa kaikki Osakevaihtotarjouksessa hyväksyttävästi tarjotut Alcatel Lucentin Arvopaperit ovat täyttyneet tai niistä on soveltuvin osin luovuttu, Tarjottavat Osakkeet ja Nokian ADS-osaketalletustodistukset, jotka toimitetaan niille Alcatel Lucentin Arvopapereiden omistajille jotka ovat hyväksyneet Osakevaihtotarjouksen, toimitetaan noin viiden Ranskan pankkipäivän kuluessa AMF:n julkistamien Ranskan

[15] ADS-osaketalletustodistusten tarjoamisen määräaika Alcatel Lucentin ADS-osaketalletustodistusten hyväksyttävän tarjoamisen ja tarjousten perumisen osalta päättyy Päättymispäivää välittömästi edeltävänä Yhdysvaltojen pankkipäivänä, ellei Yhdysvaltojen osakevaihtotarjousta jatketa (”ADS-osaketalletustodistusten tarjoamisen määräaika”).

		osakevaihtotarjouksen tulosten jälkeen soveltuvien Suomen, Ranskan ja Yhdysvaltojen säännösten ja määräysten mukaisesti. Nokia ei anna Nokian Osakkeiden tai Nokian ADS-osaketalletustodistusten murto-osia Osakevaihtotarjouksen yhteydessä eikä mahdollisena jatkettuna tarjousaikana. Alcatel Lucentin Arvopapereiden haltijoiden, joiden Osakevaihtotarjouksessa tai jatkettuna tarjousaikana tarjoama määrä Alcatel Lucentin Arvopapereita ei oikeuta saamaan Nokian Osakkeita tai Nokian ADS-osaketalletustodistuksia kokonaisluvun verran, katsotaan nimenomaisesti hyväksyneen menettelyn, jossa uusien Nokian Osakkeiden tai Nokian ADS-osaketalletustodistusten murto-osia myydään edelleen niiden Nokian Osakkeiden tai Nokian ADS-osaketalletustodistusten murto-osien osalta, joihin he ovat oikeutettuja. Yhdysvaltojen osakevaihtotarjouksessa ja Ranskan osakevaihtotarjouksessa annettavat Nokian Osakkeet, mukaan lukien Nokian ADS-osaketalletustodistusten edustamat Nokian Osakkeet, luodaan antamalla uusia tavallisia Nokian Osakkeita. Osakevaihtotarjouksen toteuttamista varten on tarkoituksena, että Nokian yhtiökokous päättää valtuuttaa Nokian hallituksen antamaan osakkeenomistajien merkintäetuoikeudesta poiketen uusia Nokian Osakkeita luovutettavaksi vastikkeena Alcatel Lucentin Arvopapereiden haltijoille, jotka ovat tarjonneet omistamansa Alcatel Lucentin Arvopaperit vaihdettavaksi Osakevaihtotarjouksessa, ja että Nokian hallitus päättää antaa uusia Nokian Osakkeita yhtiökokouksen antaman valtuutuksen perusteella (ja rekisteröidä uusien osakkeiden antamisen kaupparekisteriin toteuttamisen yhteydessä). Osakevaihtotarjouksen onnistuneen toteuttamisen jälkeen Nokian odotetaan omistavan Alcatel Lucentista 50–100 %. Tämän seurauksena Nokia voi vaikuttaa merkittävästi Alcatel Lucentin strategiaan, liiketoimintaan ja taloudelliseen päätöksentekoon. Pakollisessa lunastusmenettelyssä Nokian omistusosuus Alcatel Lucentissa nousisi 100 %:iin, ja Nokia olisi oikeutettu kaikkiin tällaisen omistusosuuden tuottamiin hyötyihin, kuten kaikki Alcatel Lucentin liiketoiminnan tuotot, Alcatel Lucentin arvon mahdollinen kasvu tulevaisuudessa sekä oikeus nimittää kaikki Alcatel Lucentin hallituksen jäsenet. Vastaavasti Nokia kantaisi Alcatel Lucentin liiketoiminnan tappioiden ja Alcatel Lucentin arvon alenemisen riskit tällaisen yritysoston jälkeen.
E.4	**Olennaiset eturistiriidat**	Nokia on palkannut Société Générale S.A.:n edustajapankiksi (banque présentatrice) Ranskan osakevaihtotarjousta varten ja Nokian taloudelliseksi neuvonantajaksi Osakevaihtotarjouksen yhteydessä, ja tietyt edustajapankin tytäryhtiöt ovat aikaisemmin tuottaneet ja saattavat tulevaisuudessa tuottaa taloudellisia neuvonanto- tai rahoituspalveluja Nokialle sekä Nokian tytäryhtiöille ja ovat saaneet tai saattavat tulevaisuudessa saada palkkioita näiden palvelujen tuottamisesta. Nokia maksaa edustajapankille kohtuullisen ja tavanomaisen korvauksen sen palveluista sen lisäksi, että korvaa edustajapankin kohtuulliset juoksevat kulut. Edustajapankin osoite on Société Générale S.A., Corporate Finance, 75886 Paris Cedex 18, Ranska. Nokia on palkannut Citibank N.A.:n toimimaan Yhdysvalloissa osakevaihtoasiamiehenä, joka vastaanottaa ja säilyttää Nokian puolesta Yhdysvaltojen osakevaihtotarjouksessa hyväksyttävästi tarjottuja (ja joiden osalta tarjouksia ei ole peruttu) Alcatel Lucentin ADS-osaketalletustodistuksia. Nokia maksaa Yhdysvaltojen osakevaihtoasiamiehelle kohtuullisen ja tavanomaisen korvauksen tämän palveluista Yhdysvaltojen osakevaihtotarjouksen yhteydessä, korvaa Yhdysvaltojen osakevaihtoasiamiehelle kohtuulliset juoksevat kustannukset ja vapauttaa Yhdysvaltojen osakevaihtoasiamiehen tietyistä vastuista ja kuluista. Citibank, N.A.:n säilytysyhteisön toimisto sijaitsee osoitteessa 388 Greenwich Street, 14th Floor, New York, NY 10013, Yhdysvallat.

		Nokia on palkannut Georgesonin toimimaan tietoasiamiehenä (information agent) Yhdysvalloissa Osakevaihtotarjouksen yhteydessä. Tietoasiamies voi ottaa yhteyttä Alcatel Lucentin Arvopapereiden haltijoihin postitse, puhelimitse tai muilla keinoilla ja voi pyytää, että pörssimeklarit, välittäjät, kaupalliset pankit, rahastoyhtiöt ja muut valtuutetut, jotka säilyttävät Alcatel Lucentin Arvopapereita niiden omistajien puolesta, välittävät Osakevaihtotarjoukseen liittyvää materiaalia eteenpäin omistajille. Nokia maksaa tietoasiamiehelle kohtuullisen ja tavanomaisen korvauksen näistä palveluista sen lisäksi, että korvaa tietoasiamiehen kohtuulliset juoksevat kulut. Nokia on sopinut vapauttavansa tietoasiamiehen tietyistä vastuista ja kuluista Osakevaihtotarjouksen yhteydessä, mukaan lukien tietyt Yhdysvaltain liittovaltion arvopaperimarkkinalakien alaiset vastuut. Nokia on palkannut Nordea Pankin suomalaiseksi liikkeeseenlaskija-asiamieheksi Nokian osakkeiden liikkeeseen laskemiseksi suomalaisessa arvo-osuusjärjestelmässä. Nokia maksaa liikkeeseenlaskija-asiamiehelle kohtuullisen ja tavanomaisen korvauksen sen palveluista sen lisäksi, että korvaa liikkeeseenlaskija-asiamiehen kohtuulliset juoksevat kulut. Nordea Pankin pääkonttori sijaitsee osoitteessa Aleksanterinkatu 36, 00100 Helsinki, Suomi. Nokia on palkannut JP Morganin taloudelliseksi neuvonantajakseen. JP Morgan on antanut Nokian hallitukselle fairness opinion -lausunnon Osakevaihtotarjouksen yhteydessä ja saattaa tarjota neuvonta- ja konsultointipalveluja Nokialle. Roolistaan Nokian taloudellisena neuvonantajana Nokia maksaa JP Morganille kohtuullisen ja tavanomaisen korvauksen sen lisäksi, että korvaa JP Morganin kohtuulliset juoksevat kulut. Nokia on palkannut Brunswickin neuvonantajakseen transaktion julkistamista ja toteuttamista varten ja saa tältä apua viestintämateriaalien luomisessa ja jakelussa institutionaalisille ja yksittäisille osakkeenomistajille ja ulkoiselle yleisölle, kuten medialle ja julkiselle sektorille. Nokia maksaa Brunswickille kohtuullisen ja tavanomaisen korvauksen näistä palveluista sen lisäksi, että korvaa Brunswickin kohtuulliset juoksevat kulut. Nokia on sopinut, että osa joidenkin edellä mainittujen pankkien ja neuvonantajien korvauksesta on tulosperusteinen. Tällaisten tulospalkkioiden kokonaismäärä on noin 12,5 miljoonaa euroa.
E.5	**Arvopapereita myyntiin tarjoavan henkilön tai yhteisön nimi / Myynti-rajoitussopi-mukset**	Ei sovellu.
E.6	**Laimentuminen**	Osakevaihtotarjouksen toteuduttua ja olettaen, että kaikki Alcatel Lucentin Arvopaperit on tarjottu vaihdettaviksi Osakevaihtotarjouksessa tai jatkettuna tarjousaikana, Alcatel Lucentin Arvopapereiden aikaisempien haltijoiden odotetaan omistavan noin 33,5 % kaikista Nokian Osakkeista ottaen huomioon täysi laimennusvaikutus.
E.7	**Arvioidut kustannukset**	Ei sovellu; Nokia ei veloita suoraan sijoittajilta mitään maksuja Osakevaihtotarjouksen yhteydessä. Nokia on sopinut Nokian ADS-säilytysyhteisönä toimivan Citibank N.A.:n kanssa, että Osakevaihtotarjouksen onnistuessa ADS-säilytysyhteisö ei veloita liikkeeseenlaskumaksuja uusien Nokian ADS-osaketalletustodistuksien liikkeeseenlaskusta Nokian Osakkeiden tallettamisen yhteydessä 30

		kalenteripäivän kuluessa laskettuna ensimmäisestä Yhdysvaltojen pankkipäivästä jatketun tarjousajan päättymisestä tai, mikäli jatkettua tarjousaikaa ei ole, Osakevaihtotarjouksen päättymisestä lukien. Tämän järjestelyn seurauksena Nokian Osakkeiden nykyiset ja uudet omistajat voisivat Nokian ADS-talletussopimuksen ehtojen mukaisesti vaihtaa omistamansa Nokian Osakkeet Nokian ADS-osaketalletustodistuksiksi kyseisen ajanjakson aikana ilman ADS-osaketalletustodistusten liikkeeseenlaskusta veloitettavia maksuja.

RISK FACTORS

Shareholders and potential investors should carefully review the following risk factors, in addition to other information contained in this Listing Prospectus. Nokia's, Alcatel Lucent's or the Combined Company's respective businesses, financial conditions and results of operations could be materially affected by each of these risks presented as applicable. Also other risks and uncertainties not described herein could affect Nokia's, Alcatel Lucent's or the Combined Company's respective businesses. Additional risks and uncertainties not presently known to Nokia or Alcatel Lucent, or that Nokia or Alcatel Lucent currently believe are immaterial, could impair Nokia's, Alcatel Lucent's or the Combined Company's businesses or the value of an investment made in them. Certain other matters regarding Nokia's or Alcatel Lucent's operations that should be considered before accepting the Exchange Offer are set out, among other things, in the sections "Business—Nokia" and "Business—Alcatel Lucent", respectively. The order of presentation of the risk factors in this Listing Prospectus is not intended to be an indication of the probability of their occurrence or of their potential effect on Nokia's, Alcatel Lucent's or the Combined Company's respective businesses.

All statements in this section regarding the competitive position of Nokia or the Combined Company are based on the view of Nokia's management unless otherwise explicitly stated.

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Risk Factors Relating to Nokia Shares, the Exchange Offer and the Squeeze-out

Failure to obtain the Nokia Shareholder Approval and certain other circumstances may trigger significant termination fees for Nokia, and the failure to obtain the Nokia Shareholder Approval and other unfulfilled Conditions may cause the Exchange Offer not to be completed, which could have a material adverse effect on Nokia's business, financial condition, results of operations and the market price of Nokia Shares.

Nokia's obligation to accept, and to exchange, any Alcatel Lucent Securities validly tendered into the Exchange Offer is subject to the satisfaction of the Minimum Tender Condition or, if waived by Nokia, the crossing of the Mandatory Minimum Acceptance Threshold (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*") as well as the receipt of the Nokia Shareholder Approval (as defined in the section "*The Alcatel Lucent Transaction—Nokia Shareholder Meeting*") to issue the number of new Nokia Shares necessary for the Completion of the Exchange Offer. If these Conditions (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*") are not fulfilled, Nokia may not be able to complete the Exchange Offer.

In the Memorandum of Understanding, Nokia has agreed to pay to Alcatel Lucent significant termination fees should the Memorandum of Understanding be terminated in certain circumstances. If the Extraordinary General Meeting of Nokia Shareholders does not approve the authorization for the Nokia Board of Directors to issue the number of new Nokia Shares necessary for the Completion of the Exchange Offer and the Nokia Shareholder Approval condition is thus not fulfilled, Nokia may be obligated to pay to Alcatel Lucent a significant termination fee. In addition, if the Nokia Board of Directors makes a Change in Nokia Board Recommendation (as defined in the section "*The Memorandum of Understanding—Nokia Board Recommendation*"), a significant termination fee may become payable by Nokia. Further, a significant termination fee becomes payable by Nokia, if the Memorandum of Understanding is terminated due to a relevant authority of competent jurisdiction having enacted or otherwise issued an injunction or a restricting law with respect to the Exchange Offer (refer to the section "*The Memorandum of Understanding—Termination Fees*" for more information on the termination fees).

There can be no assurances that the Nokia Shareholder Approval will be obtained, that the Nokia Board of Directors will not make a Change in Nokia Board Recommendation in accordance with the terms and conditions of the

Memorandum of Understanding or that there would not be any injunction or restricting law by any competent authority that could trigger significant termination fees payable by Nokia.

Furthermore, there can be no assurances that the other Conditions of the Exchange Offer than the Nokia Shareholder Approval will be fulfilled and that the Exchange Offer will be completed. Nokia has incurred, and will continue to incur, substantial transaction costs and expenses in connection with the Exchange Offer. If the Exchange Offer is not completed, Nokia will have incurred significant costs and used significant management efforts for which it will have received little or no benefit, and such management time related to the Exchange Offer could otherwise have been devoted to pursuing other beneficial opportunities.

Additionally, any failure to complete the Exchange Offer in a timely manner, or at all, might diminish the confidence of Nokia's existing, future or potential stakeholders in the ability of Nokia to execute strategic goals, find strategic alternatives or develop new sources of revenue. Should the Completion of Exchange Offer be delayed or not take place at all, Nokia might also face a loss of key customers or a deterioration of the Nokia brand as a result.

The triggering of any termination fees payable by Nokia under the Memorandum of Understanding and the failure to complete the Exchange Offer could have a material adverse effect on Nokia's business, financial conditions and/or results of operations and the market price of Nokia Shares.

The exchange ratio of the Exchange Offer is fixed and will not be adjusted in case of any changes in the price of the relevant securities. Because the market price of Nokia Shares and Nokia ADSs fluctuates, holders of Alcatel Lucent Securities cannot be certain of the market value of the Nokia Shares or Nokia ADSs that will be issued in connection with the Exchange Offer.

Following the Completion of the Exchange Offer, holders of Alcatel Lucent Securities will receive (i) 0.55 Nokia Shares for every Alcatel Lucent Share they validly tender into the Exchange Offer, (ii) 0.55 Nokia ADSs for every Alcatel Lucent ADS they validly tender into the Exchange Offer and (iii) such number of Nokia Shares per one OCEANE they validly tender into the Exchange Offer that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer. These exchange ratios are fixed and will not be adjusted in case of any changes in the price of Nokia Shares, Nokia ADSs or Alcatel Lucent Securities. If the price of Nokia Shares or Nokia ADSs decreases, which may occur as the result of a number of reasons (many of which are out of Nokia's or Alcatel Lucent's control), including as a result of the risks described herein, holders of Alcatel Lucent Securities will receive less value for their Alcatel Lucent Securities than the value calculated pursuant to the exchange ratio on the date the Exchange Offer was announced. Because the Exchange Offer may not be completed until the Conditions have been satisfied or waived (refer to the section of this Listing Prospectus "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*"), a significant period of time may pass between the commencement of the Exchange Offer and the time that Nokia accepts Alcatel Lucent Securities for exchange. Therefore, at the time holders of Alcatel Lucent Securities tender their Alcatel Lucent Securities pursuant to the U.S. Offer, they will not know the exact market value of the Nokia Shares or Nokia ADSs that will be issued if Nokia accepts the Alcatel Lucent Securities for exchange. However, tendered Alcatel Lucent Securities may be withdrawn at any time prior to the time they are accepted for exchange pursuant to the Exchange Offer (except during any subsequent offering period or any period during which the tendered Alcatel Lucent Securities are being counted).

Holders of Alcatel Lucent Securities are urged to obtain current market quotations for Nokia Shares, Nokia ADSs and the relevant Alcatel Lucent Securities when they consider whether to tender their Alcatel Lucent Securities pursuant to the Exchange Offer.

The value of the Nokia Shares and the Nokia ADSs may decrease.

It is likely that the price of the Nokia Shares and the Nokia ADSs will fluctuate, even significantly from time to time, and may not always accurately reflect the value of Nokia and its subsidiaries. The value of the Nokia Shares and the Nokia ADSs may decrease. The prices that investors may realize for their holdings of Nokia Shares and Nokia ADSs, when they are able to do so, may be influenced by a large number of factors, including factors beyond Nokia's control. In addition, stock markets have in the recent past experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could have a material adverse effect on the market price of the Nokia Shares or the Nokia ADSs.

The issuance of Nokia Shares pursuant to the Exchange Offer could lead to the share price of Nokia Shares and Nokia ADSs being adversely affected.

In connection with the Completion of the Exchange Offer, Nokia expects to issue approximately 2 065 577 610 Nokia Shares. The issuance of these new Nokia Shares could depress the market price of the existing Nokia Shares and Nokia ADSs.

Following the Exchange Offer, Nokia may be unable to successfully implement its business plans or successfully integrate Alcatel Lucent's business or achieve the targeted synergies and other efficiencies.

Nokia and Alcatel Lucent currently operate as independent public companies. After the Exchange Offer, Nokia will be required to allocate significant resources, including management attention, to integrating Alcatel Lucent's business and implementing its post-acquisition business plans. Achieving the anticipated benefits of the Alcatel Lucent acquisition will depend largely on the timely and efficient integration of the business operations of Nokia and Alcatel Lucent and their ability to successfully implement their post-acquisition business plans. The process of integrating Alcatel Lucent into Nokia's existing business involves certain risks and uncertainties, and there can be no assurances that Nokia will be able to integrate the two businesses in the manner or within the timeframe currently anticipated. Potential challenges that Nokia may encounter during the integration process include the following:

- the complexities associated with integrating Alcatel Lucent, while simultaneously continuing to provide Nokia's high quality products and services on a consistent basis;
- the complexities of integrating Alcatel Lucent, which is a company with different products, services, markets and customers as well as conducting the business that includes areas that are new to Nokia;
- the challenges relating to the consolidation of corporate, financial, control and administrative functions, including cash management, foreign exchange/hedging operations, internal and other financing, insurance, financial control and reporting, information technology, communications, compliance and other administrative functions;
- the challenges relating to the coordination of research and development, marketing and other support functions;
- the inability to retain or motivate key employees of the Combined Company and recruit needed resources;
- disruptions caused for instance by company reorganizations triggered by the Acquisition that may result in inefficiency in the organization , for instance there can be no assurance that Nokia will be able to successfully, smoothly or timely implement the planned structure announced on October 7, 2015 (for more information on the planned structure and its implementation, refer to the section "*The Alcatel Lucent Transaction—Intentions of Nokia over the Next Twelve Months—Integration and Reorganization"*) or that the planned structure will result in the intended benefits;
- the inability to achieve the targeted organizational changes, efficiencies or synergies in the targeted time or extent or the costs associated with implementing such changes;
- possible contractual issues with customers, vendors, licensees or other contractual parties, including, for instance, claims regarding ceasing or renegotiation of existing contracts;
- the inability to rationalize as required product lines or retire legacy products and related after-sales services as a result of pre-existing customer commitments;
- loss of, or lower volume of business from, key customers, or the inability to renew agreements with existing customers or achieve new customer relationships, including limitations linked to customer policies as regards aggregate vendor share or supplier diversity policy;
- integration and implementation costs resulting from the Acquisition;

- conditions and regulatory burden imposed by laws, regulators or industry standards on Nokia's or Alcatel Lucent's businesses or adverse regulatory or industry developments or litigation affecting the Combined Company, as a result of the Exchange Offer or otherwise;
- higher than anticipated costs associated with the transaction, including transaction costs;
- potential unknown or larger than estimated liabilities of Alcatel Lucent or other circumstances related to Alcatel Lucent which Nokia cannot have foreseen due to not having had full access to Alcatel Lucent's internal records, including, but not limited to, those related to compliance issues and pension liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the integration, and Nokia's ability to mitigate anticipated and contingent liabilities;
- potential deterioration of Nokia's and Alcatel Lucent's brands; and
- performance shortfalls as a result of the diversion of management's attention caused by completing the Exchange Offer and integrating Alcatel Lucent.

For these reasons, among others, holders of Alcatel Lucent Securities as well as holders of Nokia Shares should be aware that it is possible that the integration process following the Exchange Offer could result in the distraction of Nokia's management, the disruption of Nokia's ongoing business or inconsistencies in its services, standards, controls, procedures and policies, any of which could adversely affect the ability of Nokia to maintain relationships with customers, vendors and employees or could otherwise have a material adverse effect on the business, financial conditions and/or results of operations of Nokia.

Nokia's anticipated benefits from acquiring Alcatel Lucent are based on estimates that are dependent on external factors, and may not be achieved within the envisioned timeframe or at all.

There can be no assurance that Nokia will achieve any of the anticipated benefits of acquiring Alcatel Lucent, including business growth opportunities, cost synergy benefits, increased profitability and other synergy benefits described elsewhere in this Listing Prospectus within the timeframe currently estimated by Nokia, or that any such benefits can be achieved at all. The anticipated benefits of acquiring Alcatel Lucent depend, in part, on the efficiency improvement measures that both Nokia and Alcatel Lucent have individually taken in recent years, and are expected to continue to undertake in the near future. While some of these measures have already generated cost savings and operational efficiencies, the full intended benefits of these measures, or any additional initiatives that Nokia or the Combined Company may take in the future, may not be realized (refer to the sections "*Business—Nokia*" and "*Business—Alcatel Lucent*" for more information about the efficiency improvement measures). Furthermore, there can be no assurance that adverse developments in general economic conditions will not limit, eliminate or delay Nokia's or the Combined Company's ability to realize anticipated benefits, which could have a material adverse effect on the business, financial condition and/or results of operations of Nokia or Alcatel Lucent.

In addition, the anticipated cost reductions and other benefits expected to arise from acquiring Alcatel Lucent and the integration of Alcatel Lucent into Nokia's existing business as well as related costs to implement such measures are derived from the estimates of Nokia and such estimates are inherently uncertain. The estimates included in this Listing Prospectus are based on a number of assumptions made in reliance on the information available to Nokia and management's judgments based on such information, including, without limitation, information relating to the business operations, financial condition and results of operations of Alcatel Lucent. While Nokia believes these estimated synergy benefits and related costs are reasonable, the underlying assumptions are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive factors, risks and uncertainties that could cause the actual results to differ materially from those contained in the synergy benefit and related cost estimates.

The Completion of the Exchange Offer would constitute a change of control of Alcatel Lucent which would give rise to an obligation to redeem some of Alcatel Lucent's existing indebtedness.

Alcatel Lucent had approximately EUR 3.6 billion aggregate principal amount of outstanding senior notes as of June 30, 2015, of which EUR 2.1 billion contain a change of control provision. Completion of the Exchange Offer would constitute a "change of control" under the terms of some of Alcatel Lucent's senior notes. Within 30 days following the change of control, Alcatel Lucent must give notice to each holder of such senior notes and offer to repurchase the relevant notes in cash equal to 101% of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest on a date specified in the notice, which must be no earlier than 30 days and no later than 60 days following the day such notice is distributed. Alcatel Lucent may also make a change of control offer in advance of the change of control conditioned on the consummation of the change of control on the basis that a definitive agreement for the change of control is in place. Alcatel Lucent may not be able to obtain sufficient capital to repurchase or refinance Alcatel Lucent's outstanding notes in these circumstances. Failure to repurchase the notes as required would result in an event of default under the terms of the notes, which could put Alcatel Lucent in default under agreements governing its other indebtedness, including the acceleration of the payment of any borrowings thereunder, and may have an adverse effect on the value of Alcatel Lucent Securities and, indirectly, on the value of the Nokia Shares.

The completion of the transactions contemplated by the Exchange Offer would constitute a change of control of Alcatel Lucent which would give rise to an obligation to redeem all of the OCEANEs.

If the Exchange Offer is successful (resulting in a change of control of Alcatel Lucent under the terms of the OCEANEs), each holder of the OCEANEs who did not tender their OCEANEs into the Exchange Offer may request that Alcatel Lucent redeem their OCEANEs for cash at par plus, as applicable, accrued interest from the last interest payment date for each series of the OCEANEs until the early redemption date. Assuming that 100% of the OCEANEs holders do not tender their OCEANEs into the Exchange Offer but request instead an early redemption of their OCEANEs following the change of control of Alcatel Lucent, Alcatel Lucent would have to pay, based on an early repayment date on March 1, 2016 a total amount of EUR 1 781 million.

Alcatel Lucent may not be able to obtain sufficient capital to repurchase or refinance the OCEANEs in these circumstances. Failure to repurchase the OCEANEs as required may result in an event of default under the terms of such series of the OCEANEs, which could put Alcatel Lucent in default under agreements governing its other indebtedness, including the acceleration of the payment of any borrowings thereunder, and may have an adverse effect on the value of Alcatel Lucent Securities and, indirectly, on the value of the Nokia Shares.

The Exchange Offer will trigger certain provisions contained in certain Alcatel Lucent agreements that may require Alcatel Lucent to make change of control payments or permit a counterparty to an agreement with Alcatel Lucent to terminate that agreement.

Alcatel Lucent is a party to various agreements with third parties, including joint venture agreements, certain financing facilities, pension funds agreements, contracts for the performance of engineering and related work/services, IT contracts, technology and intellectual property rights licenses as well as employment agreements that contain change of control provisions that will be triggered upon the Completion of the Exchange Offer. Agreements with change of control provisions typically provide for or permit the termination of the agreement upon the occurrence of a change of control of one of the parties, which can be waived by the relevant counterparties. If Nokia and Alcatel Lucent determine that one or more of such waivers are necessary, Alcatel Lucent will make reasonable efforts to seek and obtain these waivers. Although Nokia and Alcatel Lucent believe the likelihood of a material consent being withheld is low, there can be no assurance that such consents will be obtained at all or on favorable terms. The inability to obtain waivers from more than one relevant counterparty could have a material adverse effect on the business, financial condition and/or results of operations at Nokia and Alcatel Lucent.

Nokia has not verified the reliability of the Alcatel Lucent information included in, or incorporated by reference into, this Listing Prospectus and, as a result, Nokia's estimates of the impact of Completion of the Exchange Offer on the pro forma financial information in this Listing Prospectus may be incorrect.

In respect of information relating to Alcatel Lucent presented in, or incorporated by reference into, this Listing Prospectus, including all Alcatel Lucent financial information, Nokia has relied exclusively upon publicly available information, including information publicly filed by Alcatel Lucent with securities regulatory authorities. Although Nokia has no knowledge that would indicate that any statements contained in this Listing Prospectus based upon such reports and documents are inaccurate, incomplete or untrue, Nokia was not involved in the preparation of such information and statements and, therefore, cannot verify the accuracy, completeness or truth of such information or any failure by Alcatel Lucent to disclose events that may have occurred, but that are unknown to Nokia, that may affect the significance or accuracy of any such information. Alcatel Lucent has not provided representatives of Nokia with access to Alcatel Lucent's accounting records, and, therefore, Nokia has not independently verified certain adjustments and assumptions with respect to Alcatel Lucent's financial information in preparing the pro forma financial information presented in this Listing Prospectus. Any financial information regarding Alcatel Lucent that may be detrimental to the Combined Company and that has not been publicly disclosed by Alcatel Lucent, or errors in Nokia's estimates, may have an adverse effect on the benefits Nokia expects to achieve through the Exchange Offer and may result in material inaccuracies in the pro forma financial information included in this Listing Prospectus.

The unaudited pro forma condensed combined financial information in this Listing Prospectus is presented for illustrative purposes only and may differ materially from the operating results and financial condition of the Combined Company following completion of the pro forma events.

The unaudited pro forma condensed combined financial information in this Listing Prospectus is presented for illustrative purposes only and is not necessarily indicative of what the Combined Company's actual financial position or results of operations would have been had the pro forma events been completed on the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the Combined Company. The preparation of the pro forma condensed combined financial information is based upon available information and certain assumptions and estimates that Nokia and Alcatel Lucent currently believe are reasonable. The unaudited pro forma condensed combined financial information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price to Alcatel Lucent's net assets. The purchase price allocation reflected in this Listing Prospectus is preliminary, and the final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Alcatel Lucent as of Completion of the Exchange Offer. In addition, subsequent to the Completion of the Exchange Offer, there may be further refinements of the purchase price allocation as additional information becomes available. Accordingly, the final purchase accounting adjustments may differ materially from the pro forma adjustments reflected in this Listing Prospectus. Refer to the section "*Unaudited Pro Forma Condensed Combined Financial Information*".

The Exchange Offer will affect the trading markets for any Alcatel Lucent Securities not acquired by Nokia and, as a result, their liquidity and market value could be adversely affected.

The Completion of the Exchange Offer is conditioned, among others, upon the satisfaction of the Minimum Tender Condition (as defined in the section "*The Memorandum of Understanding—Termination Fees*" and described in more detail in the section "*The Exchange Offer—Terms of the Exchange Offer—Offer Period*") or, if waived by Nokia in its sole discretion, the crossing of the Mandatory Minimum Acceptance Threshold (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*"). Nokia's acquisition of Alcatel Lucent Securities below the squeeze-out threshold would decrease both the number of Alcatel Lucent Securities that might otherwise trade publicly and the number of holders of Alcatel Lucent Securities, which could, in turn, also adversely affect the liquidity and market value of the Alcatel Lucent Securities not acquired in the Exchange Offer. In addition, as promptly as practicable following Completion of the Exchange Offer and subject to applicable law and Euronext Paris rules, Nokia intends to request Euronext Paris to delist the Alcatel Lucent Shares and OCEANEs from the regulated market of Euronext Paris. Nokia also intends, subject to applicable law, to cause Alcatel Lucent to terminate the Alcatel Lucent deposit agreement and intends to seek to delist the Alcatel Lucent ADSs from the NYSE and, when possible, to deregister the Alcatel Lucent Shares and Alcatel Lucent ADSs under the U.S. Securities Exchange Act of 1934. This could, in turn, also adversely affect the liquidity and market value of the Alcatel Lucent Securities not acquired in the Exchange Offer.

On opening of the first U.S. business day following the ADS Tender Deadline (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Offer Period*"), the NYSE may suspend trading in the Alcatel Lucent ADSs pending public announcement of the results of the Exchange Offer. Because the results of the Exchange Offer are not expected to be announced up to nine French trading days after the Expiration Date (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Offer Period*"), although Nokia expects the announcement to be made approximately four to five French trading days after the Expiration Date, holders of Alcatel Lucent ADSs who do not tender their Alcatel Lucent ADSs in the Exchange Offer may be unable to trade Alcatel Lucent ADSs on the NYSE during this period. Further, if fewer than 600 000 Alcatel Lucent ADSs would remain outstanding following Completion of the Exchange Offer, the NYSE may not resume trading in the Alcatel Lucent ADSs even after the announcement of the results of the Exchange Offer. Holders of Alcatel Lucent ADSs who do not tender their Alcatel Lucent ADSs in the U.S. Offer may therefore be unable to trade their Alcatel Lucent ADSs on the NYSE at any point following expiration of the Exchange Offer.

Alcatel Lucent shareholders will have a reduced ownership and voting interest in the Combined Company.

Alcatel Lucent shareholders currently have the right to vote in the election of directors of Alcatel Lucent and on certain other matters affecting Alcatel Lucent. Following the Exchange Offer, each Alcatel Lucent shareholder who tendered his or her Alcatel Lucent Shares or Alcatel Lucent ADSs into the Exchange Offer will become a shareholder of Nokia with a percentage ownership of the Combined Company that is much smaller than the shareholder's percentage ownership of Alcatel Lucent. After Completion of the Exchange Offer and assuming that all Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any, former holders of Alcatel Lucent Securities are expected to own approximately 33.5% of the issued and outstanding Nokia Shares on a fully diluted basis. Because of this, Alcatel Lucent's shareholders, as a group, will have substantially less influence on the management and policies of Nokia than they currently have, as a group, with respect to the management and policies of Alcatel Lucent.

The issuance of additional Nokia Shares may dilute all other shareholdings.

Future issuances of Nokia Shares or other securities may dilute the holdings of shareholders and could materially and adversely affect the price of the Nokia Shares, including the Nokia Shares offered in the Exchange Offer. Nokia may issue additional Nokia Shares or securities convertible into Nokia Shares through directed offerings without pre-emptive rights for existing holders in connection with future acquisitions, any share incentive or share option plan or otherwise. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Nokia Shares, as well as the earnings per share and the net asset value per share.

Listing of Nokia Shares on Euronext Paris may not succeed as expected or the listing may not take place at all.

In conjunction with the Exchange Offer, Nokia has applied for the Nokia Shares (including the Nokia Shares to be issued in connection with the Exchange Offer) to be listed on Euronext Paris. Nokia expects to request that Admission be approved to take effect prior to the Completion of the Exchange Offer. However, the Admission may be delayed from the expected or may not be approved in all respects or at all. Failure to list the Nokia Shares on Euronext Paris in the manner expected by Nokia's management, including a delay in such listing, may have a material adverse effect on the completion of the transactions contemplated by the Exchange Offer and on Nokia's and Alcatel Lucent's respective businesses, financial conditions and results of operations. In addition, as a consequence of the listing of the Nokia Shares on Euronext Paris, Nokia will be expected to comply with the requirements applicable to issuers whose shares are listed on Euronext Paris. Compliance with said requirements may give rise to increased administrative work and costs, which may have an adverse effect on the financial position and results of operations of Nokia. Moreover, Nokia cannot predict the extent to which liquidity will develop on Euronext Paris, especially given the existing listing of the Nokia Shares on Nasdaq Helsinki and Nokia ADSs on the NYSE. This could reduce the value of a holder's Nokia Shares and impair a holder's ability to sell their Nokia Shares at the time or price at which a holder wishes to sell them. A lack of liquidity on Euronext Paris may also impair Nokia's ability to raise capital by selling Nokia Shares and may impair Nokia's ability to acquire or invest in other companies, products or technologies by using Nokia Shares as consideration.

Some of Alcatel Lucent's directors and executive officers may have financial interests in the Exchange Offer that are different from or are in addition to those of holders of Alcatel Lucent Securities.

Certain members of the Board of Directors and management of Alcatel Lucent participated in determining the terms of the Exchange Offer. These individuals may have certain interests in the Exchange Offer that are different from, or in addition to, the interests of holders of Alcatel Lucent Securities generally and that may have caused them to view the proposed transaction more favorably and/or differently than the reader of this Listing Prospectus might.

Information on the interests of executive officers and directors of Alcatel Lucent in the Exchange Offer will be described in Alcatel Lucent's Solicitation/Recommendation Statement on Schedule 14D-9, which will be filed by Alcatel Lucent with the SEC following the commencement of the Exchange Offer and will be made available on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction.

Holders of Nokia ADSs may not be able to exercise voting rights or receive distributions as readily as holders of Nokia Shares.

Holders of Nokia Shares and Nokia ADSs may have to provide certain beneficial ownership information in order to be able to exercise voting rights in respect of their Nokia Shares and to exercise the voting rights of the Nokia Shares underlying their Nokia ADSs. In addition, holders of Nokia ADSs who would like to vote with their underlying Nokia Shares at General Meetings of Nokia's Shareholders must instruct the Nokia depositary on how to vote these underlying Nokia Shares. Neither Nokia nor the Nokia depositary can guarantee that holders of Nokia ADSs will receive the notice for any General Meeting or any voting materials provided by the Nokia depositary in time to ensure that they are able to instruct the Nokia depositary to vote the Nokia Shares represented by their Nokia ADSs. Furthermore, the Nokia depositary and its agents are not responsible for failure to carry out voting instructions or for the manner of carrying out voting instructions. Therefore, there is a risk that a holder's vote may not be carried out in the manner intended and, in such instance, there would be no recourse available to the holder. Holders of Nokia ADSs also may not receive the distributions that Nokia makes on the Nokia Shares or any value for them if it is illegal or impracticable for the Nokia depositary to make them available to the holders.

Upon a shareholder's receipt of Nokia Shares in the Exchange Offer, the shareholder of Alcatel Lucent will become a shareholder in Nokia, a Finnish corporation, which may change certain shareholder rights and privileges the shareholder holds as a shareholder of Alcatel Lucent, a French corporation.

Nokia is a Finnish corporation and is governed by the laws of the Republic of Finland, its Articles of Association and the rules and regulations applicable to it as a result of the listing of the Nokia Shares on relevant markets from time to time, such as the rules of Nasdaq Helsinki and the NYSE. Finnish law extends to shareholders certain rights and privileges that may not exist under French law and, conversely, may not extend certain rights and privileges that a shareholder currently has as a shareholder of Alcatel Lucent, which is governed by the laws of the French Republic and Alcatel Lucent's Articles of Association. For a detailed comparison of the rights of Nokia shareholders with the rights of Alcatel Lucent shareholders, refer to the section "*Shares and Share Capital—Nokia—Comparison of Rights of Holders of Nokia Shares and Alcatel Lucent Shares*".

Holders of Alcatel Lucent Securities may be forced to transfer their Alcatel Lucent Securities to Nokia if Nokia conducts a squeeze-out under French law or takes other steps to consolidate its ownership of Alcatel Lucent.

If, at the Completion of the Exchange Offer or the subsequent offering period, if any, Nokia owns 95% or more of the share capital and voting rights of Alcatel Lucent (Alcatel Lucent Shares held in treasury being considered as held by Nokia for the purpose of the calculation), Nokia intends to request from the AMF, within three months of the expiration of the French Offer period or the subsequent offering period, if any, the implementation of a squeeze-out for the remaining outstanding Alcatel Lucent Shares. In addition, if, at the Completion of the Exchange Offer or the subsequent offering period, if any, Nokia owns 95% or more of the sum of the outstanding Alcatel Lucent Shares and the Alcatel Lucent Shares issuable upon conversion of all of the OCEANEs then outstanding (Alcatel Lucent Shares held in treasury being considered as held by Nokia for the purpose of the calculation), Nokia intends to request from the AMF, within three months of the expiration of the French Offer period or the subsequent offering period, if any, the implementation of a squeeze-out for the remaining OCEANEs.

If Nokia owns less than 95% of the share capital and voting rights of Alcatel Lucent immediately after the Completion of the subsequent offering period, then Nokia reserves the right, subject to applicable law, to (i) commence a buy-out offer for the Alcatel Lucent Securities it does not own on the relevant date pursuant to Article 236-3 of the AMF General Regulation if at any time after the Completion of the Exchange Offer it owns 95% or more of the voting rights of Alcatel Lucent; (ii) commence at any time a simplified offer for the Alcatel Lucent Securities it does not own on the relevant date pursuant to Article 233-1 et seq. of the AMF General Regulation; (iii) cause Alcatel Lucent to be merged into Nokia or an affiliate thereof, contribute assets to, merge certain of its subsidiaries with, or undertake other reorganizations of, Alcatel Lucent; or (iv) take any other steps to consolidate its ownership of Alcatel Lucent. Nokia does not currently intend to structure any of the foregoing steps so that it would result in the OCEANEs becoming convertible bonds of Nokia Corporation, becoming debt obligations of Nokia Corporation or otherwise convertible into Nokia Shares or Nokia ADSs.

In addition, Nokia reserves the right, at any time after the Completion of the Exchange Offer or the subsequent offering period, as applicable, and subject to applicable law, to cause Alcatel Lucent to redeem at par value plus accrued interest from the date the interest was last paid, to the date set for the early redemption all of the outstanding 2018 OCEANEs, 2019 OCEANEs or 2020 OCEANEs, if less than 15% of the issued OCEANEs of any such series remain outstanding.

As a result of some of the foregoing steps, holders of Alcatel Lucent Securities may be forced to transfer their Alcatel Lucent Securities to Nokia by operation of law or otherwise.

Any failure by Nokia to promptly complete the squeeze-out of the remaining outstanding Alcatel Lucent Securities could adversely affect the market value of the Nokia Shares and the Nokia ADSs, and Nokia may be unable to fully realize the anticipated benefits of the Exchange Offer.

The Completion of the Exchange Offer is conditioned upon the satisfaction of the Minimum Tender Condition (as defined in the section "*The Memorandum of Understanding—Termination Fees*") or, if waived by Nokia in its sole discretion, the crossing of the Mandatory Minimum Acceptance Threshold (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*"). Thus, at the Completion of the Exchange Offer, Nokia may own more than 50% but less than 95% of the share capital and voting rights of Alcatel Lucent Shares. Pursuant to the AMF General Regulation, Nokia must own 95% or more of the share capital and voting rights of Alcatel Lucent to implement a squeeze-out of the remaining outstanding Alcatel Lucent Shares, and 95% or more of the sum of the outstanding Alcatel Lucent Shares and the Alcatel Lucent Shares issuable upon conversion of all of the OCEANEs to implement a squeeze-out of the remaining outstanding OCEANEs (Alcatel Lucent Shares held in treasury being considered as held by Nokia for the purpose of the calculation). In addition, under French law, a squeeze-out must be implemented within three months after the expiration of a public offer period or the subsequent offering period, if any, for Alcatel Lucent Securities, such as the Exchange Offer.

Any temporary or permanent delay in acquiring all Alcatel Lucent Securities could adversely affect Nokia's ability to integrate Alcatel Lucent's business, including achieving targeted business benefits and synergies, as well as the market value of the Nokia Shares and Nokia ADSs and Nokia's access to capital and other sources of funding on acceptable terms.

If the Alcatel Lucent Shares remain listed on Euronext Paris for a significant period of time following Completion of the Exchange Offer, AMF may not allow a squeeze-out of the remaining outstanding Alcatel Lucent Securities or Euronext Paris may refuse to delist Alcatel Lucent Shares, which would adversely affect Nokia's ability to integrate Alcatel Lucent's business into the Nokia Group. In addition, Nokia may be unable to delist Alcatel Lucent ADSs from the NYSE or deregister Alcatel Lucent Shares and Alcatel Lucent ADSs under the U.S. Securities Exchange Act of 1934, which would result in more onerous regulatory compliance obligations for the Combined Company and affect Nokia's ability to fully integrate Alcatel Lucent's business into Nokia Group.

Consummation of the Exchange Offer may result in adverse tax consequences to Nokia resulting from a change of ownership of Alcatel Lucent.

Nokia has not had access to certain information concerning Alcatel Lucent's tax situation. It is possible that the Completion of the Exchange Offer may result in adverse tax consequences arising from a change of ownership of Alcatel Lucent. The tax consequences of a change of ownership of a corporation can lead to an inability to carry-over certain tax attributes, including, but not limited to, tax losses, tax credits and/or tax basis of assets. In addition, the change of ownership may result in other tax costs not normally associated with the ordinary course of business. Such other tax costs include, but are not limited to, stamp duties, land transfer taxes, franchise taxes and other levies. The fact that Nokia is unaware of information relevant to a determination of the potential tax consequences and related costs represents an additional transaction risk.

Certain shareholders may be unable to exercise their pre-emptive rights.

Certain holders of Nokia Shares or Nokia ADSs resident in, or with a registered address in, certain jurisdictions other than Finland, France, or the United States, may not be able to exercise their pre-emptive rights in respect of the Nokia Shares, including the Nokia Shares offered in the Exchange Offer, in any future offerings unless a registration statement, or the equivalent thereof under the applicable laws of their respective jurisdictions, is effective with respect to such Nokia Shares or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available. In such cases, holders of Nokia Shares or Nokia ADSs who cannot exercise their pre-emptive rights may experience dilution in their holdings in Nokia. Further, if the number of holders of Nokia Shares or Nokia ADSs who cannot exercise their pre-emptive rights is large and the subscription rights of holders of Nokia Shares or Nokia ADSs are sold on the market, this could have an adverse effect on the price of the subscription rights.

Future sales of Nokia Shares may depress the price of the Nokia Shares.

The market price of the Nokia Shares, including the Nokia Shares offered through the Exchange Offer, could decline as a result of sales of a large number of Nokia Shares in the market after the Exchange Offer or the perception that these sales could occur. These sales, or the possibility that these sales may occur, could also make it more difficult for Nokia to sell equity securities in the future at a time and price that it deems appropriate.

The amount of dividend and equity return distributed to shareholders for each financial period is uncertain.

Nokia cannot assure that it will pay dividends or equity return on the shares issued by it, nor is there any assurance as to the amount of any dividend or return of equity it might pay. The payment and the amount of any dividend or return of equity will be subject to the discretion of Nokia's Board of Directors and, ultimately, the General Meeting of Nokia's Shareholders and will depend on available cash balances, retained earnings, anticipated cash needs, the results of Nokia's operations, its financial condition and any loan agreement restrictions binding Nokia as well as other relevant factors. Refer to sections "*Dividends and Dividend Policy—Nokia*" and "*Shares and Share Capital—Nokia—Shareholder Rights—Dividend and Distribution of Other Unrestricted Equity*".

Risk Factors Relating to the Proposed Sale of Nokia's HERE Business

The proposed sale of Nokia's HERE business may not be completed in a timely manner, or at all.

The outcome, transaction timeline and closing of the proposed sale of Nokia's HERE business may not materialize as expected, or at all. The conditions precedent for the sale of the HERE business, including regulatory conditions, may fail to be satisfied, and thus the transaction may fail to close. In addition, in connection with the sale of Nokia's HERE business, the intellectual property portfolio of HERE is transferred to the buyers of the business and Nokia would no longer benefit from its use.

Furthermore, in connection with the sale of Nokia's HERE business, Nokia has committed to indemnify the buyers with respect to certain losses that may be suffered by the buyers. Significant indemnification claims by the buyers with respect to the sale of the HERE business could have a material adverse effect on Nokia's financial condition.

Also, if Nokia fails to sell its HERE business following the public announcement of the proposed sale, it may have an adverse effect on HERE's brand, customer and supplier relationships and its reputation. This is particularly the case given that Nokia proposes to sell HERE to a consortium comprising some of HERE's top key automotive customers.

If the proposed sale of the HERE business fails to complete, it could have a material adverse effect on the business, financial condition and/or results of operations of Nokia, or on the combined results of operation of Nokia and Alcatel Lucent following Completion of the Exchange Offer.

The proposed sale of Nokia's HERE business may be time-consuming and divert management attention.

The proposed sale of Nokia's HERE business may be time-consuming and divert the efforts and focus of Nokia's management and other key employees from their day-to-day business responsibilities.

Risk Factors Relating to the Operating Environment, Business and Financing of Nokia

Nokia's strategy is subject to various risks and uncertainties, including that Nokia may not be able to successfully implement its strategy, sustain or improve the operational and financial performance of its businesses, or that Nokia may not be able to correctly identify or successfully pursue business opportunities.

Nokia announced its strategy in April 2014, which is to become a technology leader in the Programmable World and has since then endeavored to implement its strategy, as described in more detail under the section "*Business—Nokia—Business Strategy*". This strategy, including continued investments into Nokia's businesses or new business opportunities that Nokia may pursue, may not yield a return on investment as planned or at all. Nokia's ability to achieve its strategic goals and targets is subject to uncertainties and contingencies, some of which are beyond its control, and there can be no assurance that Nokia will be able to achieve the goals or targets that Nokia sets. Nokia also continues to target further improvement in its operations going forward, with a focus on efficiencies through automation and disciplined processes. There can be no assurances that Nokia's efforts will generate the expected results or improvements to its operations or that it will achieve any other of its financial objectives.

Nokia operates in fast-paced and innovative industries and the opportunities Nokia targets may require significant investments in innovation in order to grow Nokia's businesses profitably or to achieve other targeted benefits. Such investments may include research and development, licensing arrangements, acquiring businesses and technologies, recruiting specialized expertise and partnering with third parties. These investments, however, may not result in technologies, products or services that achieve or retain broad or timely market acceptance or are preferred by Nokia's customers and consumers or that Nokia may otherwise utilize for value creation. As such, the investments may not be profitable or achieve the targeted rates of return. There can also be no assurance that Nokia will be able to identify and understand the key market trends and user segments that enable it to address customers' and consumers' expanding needs in order to bring new innovative and competitive products and services to market in a timely manner. If Nokia is unable to anticipate and respond to these key market trends in a timely manner, or to actively drive future trends, through its product and services development processes, Nokia may not achieve the intended goals of its strategies, which may materially and adversely affect Nokia's business, financial condition and results of operations.

Nokia may invest in certain new technologies, including investments in market exploration of connectivity solutions capable of handling very large numbers of devices and exponential increases in data traffic, innovation in the Internet of Things, location services that seamlessly bridge between the real and virtual worlds and innovation, including in sensing, radio and low power technologies. Additionally, Nokia continuously seeks new business models. Certain of Nokia's competitors have significant resources to invest in market exploration and may seek new monetization models or drive industry development and capture value in areas where Nokia is not equally competitive. Those areas can be, for instance, monetization models linked to the use of advertising, large amounts of consumer data, large connected communities, solutions for the automotive market, home or other entertainment services and alternative payment mechanisms. Additionally, Nokia intends to use its innovation and intellectual property assets through, for instance, the expansion of Nokia's patent licensing, technology licensing and licensing of the Nokia brand. Nokia may not have sufficient resources to compete in these areas, which may prove to be a competitive disadvantage for Nokia in the future. If Nokia fails in these aspects of its strategy, Nokia may not be able to realize an expected return on its investments or may incur operating losses and impair its competitiveness for the longer term. Nokia has also in the past made, and may in the future make, such investments through acquisitions. Nokia may, however, fail to successfully complete planned acquisitions or integrate the acquired businesses or assets in order to obtain intended benefits, or retain and motivate acquired key employees, or the acquired businesses may have various liabilities that Nokia assumes knowingly or unknowingly, which may have a material adverse effect on Nokia's businesses.

In addition to the risks set out above, Nokia may not realize the intended benefits of its strategies due to a number of reasons, including but not limited to:

- the execution of Nokia's strategy fails or is slower than anticipated, for example, due to a lack of strategic clarity;
- Nokia has based its strategic choices on expectations or developments that do not materialize as expected or at all, such as those related to market or technological developments, or regulatory matters, such as those related to technical standards that hinder Nokia's ability to complete its planned strategies;

- Nokia fails to effectively invest in the right areas of its businesses or invests in areas that do not deliver intended results or its evaluation of the prospects with respect to its businesses do not materialize as planned;
- Nokia's strategy or its implementation causes a disruption in its business operations or results in reduced performance of the businesses;
- failures in cloud or remote delivery-based business models and operations that have certain inherent risks, including those stemming from the potential security breaches and applicable regulatory regimes, may cause limitations to the implementation of cloud or remote delivery-based models or expose Nokia to regulatory or contractual actions or limit its ability to conduct intended business;
- Nokia loses key employees or is unable to recruit, retain or motivate key executives or employees needed to effectively manage or run its businesses, for example, as a result of dissatisfaction with its strategic direction, uncertainty about Nokia's businesses or prospects, or failures in implementing successful compensation arrangements;
- Nokia's product, service and business portfolio results in an over-reliance on certain industries, which materially exposes Nokia's business and results of operations to certain industry-related market trends that are beyond its control, such as the availability of competing services at lower cost or free of charge;
- the deterioration of Nokia's brand or reputation due to Nokia's reduced position in the consumer electronics industry, or for instance through actions of other parties licensing the Nokia brand or issues with Nokia's partners including Nokia's supply chain. Any such deterioration to the Nokia brand or reputation may have a materially adverse effect on Nokia's businesses and its ability to utilize the Nokia brand going forward;
- the focus of Nokia's management or other key employees is diverted from their day-to-day business responsibilities due to changes in Nokia's organizational structure and business model or Nokia experiences gaps in required competences, especially with respect to new business areas that Nokia may target. In addition, Nokia's management or other key employees may focus excessively on certain areas of Nokia's businesses, which in turn results in suboptimal performance of its other businesses;
- Nokia is unable to implement and maintain an efficient corporate and operational structure for Nokia going forward or Nokia's evaluation of the prospects with respect to the shared opportunities between Nokia's continuing operations do not materialize as expected;
- Nokia is unable to implement certain required new capabilities, such as data analytics skills required for certain business areas that involve processing large amounts of data;
- Nokia or Nokia's business partners may fail in successfully marketing Nokia's products and services, especially with respect to new product and service areas;
- adverse effects on Nokia or its customer relationships due to speculation about Nokia strategy or the future prospects of its businesses; and
- by completing the Sale of the Devices & Services Business, which refers to the sale of substantially all of the Devices & Services Business to Microsoft that closed on April 25, 2014, Nokia's engagement in the manufacturing and sale of mobile phones and smartphones has ceased in accordance with the Devices & Services Purchase Agreement (as defined in the section *"Business—Nokia—Material Agreements Outside the Ordinary Course of Business—Sale of the Devices & Services Business to Microsoft")* and as such Nokia has a less diversified product and services offering and may lose relevance to customers and consumers that have associated Nokia with the Devices & Services Business. Additionally, the Sale of the Devices & Services Business may have resulted in inefficiencies in Nokia's corporate or operational structure or gaps in resourcing or capabilities due to the transfer of significant amounts of employees, assets, contracts and legal entities to Microsoft.

Nokia may be adversely affected by general economic and market conditions.

As Nokia is a company with global operations and sales in many countries around the world, its sales and profitability are dependent on general economic conditions both globally and regionally, as well as industry and market developments in numerous diverse markets. Adverse developments in, or the general weakness of, the economy, particularly through increasing levels of unemployment in the markets in which Nokia's customers operate, may have a direct adverse impact on the spending patterns of end-users. This in turn may affect both the services they subscribe to and usage levels of such services, which may lead to mobile operators and service providers investing in related infrastructure and services less than anticipated.

Refer to risk factor "*—Nokia Networks is dependent on the development of the mobile broadband infrastructure industry*" for more information about general economic and market conditions as regards Nokia Networks.

Refer to risk factor "*—HERE business sales are dependent on the overall automotive market developments and customer business conditions*" for more information about general economic and market conditions as regards HERE.

Refer to risk factor "*—Nokia Technologies*' *patent licensing income may be adversely affected by general economic conditions or adverse market developments as well as regulatory or other developments*" for more information about general economic and market conditions as regards Nokia Technologies.

In addition, Nokia has significant presence in emerging markets and the economic conditions in these countries may be more volatile than in developed countries, and the purchasing power of Nokia's customers and consumers in developing markets depends to a greater extent on the price development of basic commodities and currency fluctuations, which may render Nokia's products or services unaffordable.

Continued difficulties, uncertainty or deterioration in the global or regional economic conditions could have a material adverse effect on the businesses, financial condition and results of operations as well as future prospects of Nokia. Moreover, adverse developments in the global financial markets could have a material adverse effect on Nokia's ability to access affordable financing on satisfactory terms. Refer to the sections "*Operating and Financial Review and Prospects—Nokia—Liquidity and Capital Resources"* and *"Operating and Financial Review and Prospects—Nokia—Qualitative and Quantitative Disclosure of Financial Risk Management*" for more information about Nokia's financing and financial risk management.

Specifically, the above-described factors could, *inter alia*:

- limit the availability of credit or raise related interest rates, which may have an adverse effect on the financial condition, and in particular the purchasing ability, of certain of Nokia's customers and may also result in requests for extended payment terms, credit losses or insolvencies;
- result in financial difficulties for Nokia's suppliers and partners, which in turn may result in their failure to perform as planned and, consequently, in delays in the delivery of Nokia's products;
- impair Nokia's ability to address customer requests for extended payment terms through sales of its customer receivables;
- result in lowered credit ratings of Nokia's short-and long-term debt or a lowered outlook from credit rating agencies or limit Nokia's ability to improve its credit ratings and, consequently, impairing its ability to raise new financing or refinance its current borrowings and increasing its interest payments associated with any new debt instruments;
- result in failures of derivatives counterparties or other financial institutions, which could have a material adverse impact on Nokia's treasury operations;
- increase the volatility of exchange rates, which in turn may increase the costs of Nokia's products which Nokia may not be able to pass on to Nokia's customers and result in significant competitive benefit to competitors who incur part of their costs in other currencies; hamper Nokia's pricing; and increase Nokia's hedging costs and limit Nokia's ability to hedge its exchange rate exposure;
- result in inefficiencies due to Nokia's deteriorated ability to appropriately forecast developments in its industry and plan and organize its operations accordingly, delayed or insufficient investments in new market segments and failure to adjust its costs appropriately;
- cause reductions in the future valuations of Nokia's investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to historical or projected

future results by Nokia or any part of Nokia's business or any significant changes in the manner of Nokia's use of acquired assets or the strategy for its overall business; or

- result in tax-related disputes or increased and/or more volatile taxes that could adversely impact Nokia's effective tax rate, including possible new tax regulation, stricter interpretations of such regulation or increased efforts by government bodies seeking to more aggressively collect taxes as well as costly or disruptive tax-related disputes.

Nokia is a company with global operations, exposing it to political and other developments.

Nokia generates sales from and has manufacturing and other facilities and suppliers located in various countries around the world. Accordingly, regulatory developments, economic developments, or political turmoil, military actions, labor unrest, civil unrest, public health including disease outbreaks and environmental issues or natural and man-made disasters in such countries could have a material adverse effect on the supply of Nokia's products and services, including network infrastructure equipment manufactured in those countries, Nokia's sales and results of operations. In recent years, Nokia has witnessed political unrest in various markets in which it conduct business or has operations in, which have adversely affected Nokia's sales in these markets or operations even outside these countries or regions, and any reoccurrence or escalation of such unrest could have a further material adverse effect on Nokia's sales or results of operations in the future. For instance, the events and instability in Ukraine and the international reaction to these may adversely affect Nokia's business or operations in Ukraine, Russia and/or related markets, including, as a result of current or increased economic and trade sanctions, economic uncertainty or a slowdown or downturn resulting from these events. As Nokia is a company with global operations and employees in a number of jurisdictions, as well as complex supply chains multiple business partners, Nokia is inherently subject to various issues including potential health and safety issues related to its operations, as well as the operations of its suppliers, and it is exposed to certain risks in relations to claims, disputes or adverse public perceptions caused by such issues.

Nokia's business is subject to direct and indirect regulation. As a result, changes in various types of regulations, their application, as well as economic and trade policies applicable to current or new technologies or products may adversely affect Nokia's business and results of operations.

Nokia's business is subject to direct and indirect regulation in each of the countries where Nokia, the companies with which it collaborates, and its customers, do business. Nokia develops many of its products based on existing regulations and technical standards, its interpretation of unfinished technical standards or in some cases in the absence of applicable regulations and standards. As a result, changes in various types of regulations, their application, as well as economic and trade policies applicable to current or new technologies or products may adversely affect Nokia's business and results of operations. For example, changes in regulation affecting the construction of base stations and other network infrastructure could adversely affect the timing and costs of new network construction or the expansion and commercial launch and ultimate commercial success of such networks. Also, changes in applicable privacy related regulatory frameworks may adversely affect Nokia's business, including possible changes that increase costs, limit or restrict possibilities to offer products or services, or reduce or could be seen to reduce the privacy aspects of Nokia's offerings, including if further governmental interception capabilities or regulations aimed at allowing other governmental access to data are required for the products and services that Nokia offers. For instance, the possibility that countries could further require governmental interception capabilities or regulations aimed at allowing other governmental access to data could adversely affect Nokia, for instance by reducing Nokia's sales to such markets or limiting Nokia's ability to use components or software that Nokia has developed or sourced from other companies.

Nokia's ability to protect the intellectual property in its products and generate intellectual property related net sales is dependent on regulatory developments in various jurisdictions, as well as the application of the regulations, for instance through administrative bodies. Export control, tariffs or other fees or levies imposed on Nokia's products and environmental, health, product safety and data protection, security, consumer protection, money laundering and other regulations that adversely affect the export, import, technical design, pricing or costs of Nokia's products could also adversely affect its sales and results of operations. In addition, changes in various types of regulations or their application with respect to taxation or other fees collected by governments or governmental agencies may result in unexpected payment obligations, and in response to prevailing difficult global economic conditions there may be an increased aggressiveness in collecting such fees. The economic and trade sanctions environment can also be difficult to navigate for companies with global operations. Nokia may be subject to new, existing or tightened export control regulations, sanctions, embargoes or other forms of economic and trade restrictions imposed on certain countries. Such actions may trigger additional investigations, including tax audits by authorities or claims by contracting parties. The result and costs of such investigations or claims may be difficult to predict and could lead to lengthy disputes, fines or fees, indemnities or a costly settlement.

Nokia's provision of services and adaptation of cloud-based solutions has resulted in a variety of new regulatory issues and makes Nokia subject to increased regulatory scrutiny. Nokia's current business models in the Nokia Networks' and HERE's businesses rely on certain centralized data processing solutions and cloud or remote delivery–based services for distribution of services and software or data storage. The cloud or remote delivery–based business models and operations have certain inherent risks, including those stemming from the potential security breaches, and applicable regulatory regimes may cause limitations in implementing such business models or expose Nokia to regulatory or contractual actions. Moreover, Nokia's competitors have employed and will likely continue to employ significant resources to shape the legal and regulatory regimes in countries where Nokia has significant operations. Legislators and regulators may make legal and regulatory changes or interpret and apply existing laws in ways that make Nokia's products and services less appealing to the end users, require Nokia to incur substantial costs, change its business practices or prevent it from offering its products and services.

Nokia has a significant presence in emerging market countries, which may have a higher degree of regulatory or political risk, including unfavorable or unpredictable treatment in relation to tax matters, exchange controls, and other restrictions.

Nokia has significant presence in emerging market countries, which may have a higher degree of regulatory or political risk. These markets represent a significant portion of Nokia's total sales, and a significant portion of any expected industry growth. Most of Nokia's suppliers are located in and its products are manufactured and assembled in emerging markets, particularly in Asia. Nokia's businesses and investments in emerging markets may also be subject to risks and uncertainties, including unfavorable or unpredictable treatment in relation to tax matters, exchange controls, and other restrictions affecting Nokia's ability to make cross-border transfers of funds, regulatory proceedings, unsound or unethical business practices, challenges in protecting its intellectual property rights ("IPR"), nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks. Refer to the sections "*Business—Nokia—Overview*" and "*Operating and Financial Review and Prospects—Nokia—Liquidity and Capital Resources*" for more detailed information on geographic location of net sales to external customers, segment assets and capital expenditures.

In line with changes in strategy, as well as in some cases a difficult political or business environment and an increasingly complicated trade sanctions environment, Nokia and its Nokia Networks business have exited or reduced operations in certain areas or countries, with some of these exits or reductions in operations still-ongoing. Nokia continuously monitors international developments and assesses the appropriateness of Nokia's presence and businesses in various markets. For instance, as a result of ongoing international developments, Nokia Networks has continued to re-assess its position on performing business in Iran, and increasing activities with its existing customers in compliance with applicable trade sanctions and regulations. In 2014, Nokia Networks reached agreements with its existing customers that enable Nokia Networks to settle its historical contractual obligations and to explore resuming other business with the customers subject to compliance with applicable trade sanctions and regulations. The actions described in this paragraph may have adverse effects on Nokia for instance through triggering additional investigations, including tax audits by authorities or claims by contracting parties or reputational damage resulting for instance in adverse effects to business relationships. The result and costs of investigations or claims may be difficult to predict and could lead to lengthy disputes, fines or fees, indemnities or a settlement.

Nokia is subject to various legislative frameworks and jurisdictions that regulate fraud as well as economic and trade sanctions and policies and as such, the extent and outcome of possible proceedings is difficult to estimate with any certainty.

As a global company, Nokia is subject to various legislative frameworks and jurisdictions that regulate fraud committed in the course of business operations, as well as economic and trade sanctions and, as such, the extent and outcome of possible proceedings is difficult to estimate with any certainty. Further, Nokia's businesses and results of operations may be adversely affected by regulation as well as economic and trade policies favoring the local industry participants as well as other measures with potentially protectionist objectives that host governments in different countries may take, particularly in response to challenging global economic conditions. The impact of changes in or uncertainties related to regulation and trade policies could affect Nokia's businesses and results of operations adversely even in cases, where the specific regulations do not directly apply to it or its products and services. In many parts of the world where Nokia currently operates or seeks to expand its businesses, local practices and customs may be in contradiction to Nokia's Code of Conduct and could violate anticorruption laws, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010, or EU, as well as other applicable economic and trade sanctions and embargoes. Nokia's employees, or other parties acting on Nokia's behalf, could violate policies and procedures intended to promote compliance with anticorruption laws or economic and trade sanctions. Violations of these laws by Nokia's employees or other parties acting on its behalf, regardless of whether Nokia had participated in such acts or had knowledge of such acts at certain levels within its organization, could result in Nokia or Nokia's employees becoming subject to criminal or civil enforcement actions, including fines or penalties, disgorgement of profits and suspension or disqualification of sales. Additionally, violations of law or allegations of violations may result in the loss of reputation and business and adversely affect the Nokia brand. Detecting, investigating and resolving such situations may also result in significant costs, including the need to engage external advisers, and consume significant time, attention and resources from Nokia's management and other key employees. The result and costs of such investigations or claims may be difficult to predict and could lead to lengthy disputes, fines or fees, indemnities or a costly settlement.

Nokia is subject to the regulatory requirements concerning publicly listed companies. Failure to meet these regulatory requirements could result, for instance, in loss of confidence in Nokia or in the accuracy and completeness of Nokia's financial reports, or otherwise in the imposition of fines or other regulatory censures.

Nokia is a publicly listed company. As such, Nokia is subject to various securities and accounting rules and regulations. While Nokia has determined that its internal control over financial reporting was effective as of December 31, 2014 it must continue to monitor and assess its internal control over financial reporting and its compliance with the applicable securities regulation and accounting rules. If Nokia was to fail to maintain effective internal control over financial reporting, the accuracy and timeliness of its financial reporting could be adversely affected, which could result, for instance, in loss of confidence in Nokia or in the accuracy and completeness of Nokia's financial reports, or otherwise in the imposition of fines or other regulatory censures, which could have a material adverse effect on Nokia.

Nokia's products, services and business models depend on IPR technologies that Nokia has developed as well as technologies that are licensed to Nokia by certain third parties. As a result, evaluating the rights related to the technologies Nokia uses or intends to use is increasingly challenging, and Nokia expects to continue to face claims that it could have allegedly infringed third parties' IPR. The use of these technologies may also result in increased licensing costs for Nokia, restrictions on Nokia's ability to use certain technologies in its products and/or costly and time consuming litigation.

Nokia's products and services include, and its business models depend on, utilization of numerous patented standardized or proprietary technologies. Nokia invests significantly in research and development ("R&D") through its businesses to develop new relevant technologies, products and services. Nokia's R&D activities have resulted in Nokia having one of the industry's strongest intellectual property portfolios in Nokia Technologies and a strong portfolio in Nokia Networks, which its products and services depend on and it licenses to other companies. Nokia believes its innovations that are protected by IPR are a strong competitive advantage for its businesses. The continued strength of Nokia's portfolios depends on Nokia's ability to create new relevant technologies, products and services through its R&D activities.

Nokia's products and services include increasingly complex technologies that Nokia has developed or that have been licensed to it by certain third parties. The amount of such proprietary technologies and the number of parties claiming IPR continue to increase, even within individual products, as the range of Nokia's products become more diversified and as the complexity of the technology increases. Additionally, Nokia may enter into new business areas involving complex technologies. As such Nokia continues to face the possibility of alleged infringement and related intellectual property claims against it going forward. The holders of patents and other IPR potentially relevant to Nokia's products may be unknown to it, may have different business models, may refuse to grant licenses to their proprietary rights, or may otherwise make it difficult for Nokia to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by Nokia that are subject to alleged infringement or other corresponding allegations or claims by others which could impair Nokia's ability to rely on such technologies. In addition, although Nokia endeavors to ensure that companies collaborating with it possess appropriate IPR or licenses, Nokia cannot fully avoid the risks of IPR infringement created by suppliers of components and various layers in its products, or by companies with which Nokia collaborates in R&D activities. Similarly, Nokia and its customers may face claims of infringement in connection with their use of Nokia's products.

It is common that Nokia needs to indemnify its customers for certain intellectual property related infringement claims related to products or services purchased from it. Such claims are generally made directly to a Nokia customer and Nokia may have limited possibilities to control the processes or evaluate the outcomes of such in advance. As such, indemnifications can result in significant payments obligations for Nokia that may be difficult to forecast in advance.

The business models for mobile services are from many aspects not established currently. The lack of availability of licenses for copyrighted content, delayed negotiations, or restrictive licensing terms may have a material adverse effect on the cost or timing of content-related services offered by Nokia, mobile network operators or third-party service providers.

Since all technology standards, including those Nokia uses and relies on, include certain IPR, Nokia cannot fully avoid risks of a claim for infringement of such rights due to its reliance on such standards. Nokia believes the number of third parties declaring their intellectual property to be potentially relevant to these standards, for example, the standards related to so called 3G and LTE mobile communication technologies, as well as other advanced mobile communications standards, is increasing, which may increase the likelihood that Nokia will be subject to such claims in the future. As the number of market entrants and the complexity of technology increases, it remains likely that Nokia will need to obtain licenses with respect to existing and new standards from other licensors. While Nokia believes, most such IPR declared or actually found to be essential to a given standard carry with them an obligation to be licensed on fair, reasonable and non-discriminatory terms, not all intellectual property owners agree with this and thus, Nokia has experienced costly and time-consuming litigation over such issues and it may continue to experience such litigation in the future.

From time to time, some existing patent licenses may expire or otherwise become subject to renegotiation. The inability to renew or finalize such arrangements or renew licenses with acceptable commercial terms may result in costly and time-consuming litigation, and any adverse result in any such litigation may lead to restrictions on Nokia's ability to sell certain products and could result in payments that could potentially have a material adverse effect on Nokia's operating results and financial condition. These legal proceedings may continue to be expensive and time-consuming and divert the efforts of Nokia's management and technical expert employees from its businesses, and, if decided against Nokia, could result in restrictions on Nokia's ability to sell its products, require it to pay increased licensing fees, unfavorable judgments, costly settlements, fines or other penalties and incur expenses.

Nokia's patent license agreements may not cover all the future businesses that it may enter, Nokia's existing businesses may not necessarily be covered by its patent license agreements if there are changes in Nokia's corporate structure or its subsidiaries, or its newly-acquired businesses may already have patent license agreements with terms that differ from similar terms in Nokia's patent license agreements. This may result in increased costs, restrictions in the use of certain technologies or time-consuming and costly disputes whenever there are changes in Nokia's corporate structure or its subsidiaries, or whenever Nokia enters new businesses or acquires new businesses.

Nokia makes accruals and provisions to cover its estimated total direct IPR costs for its products. The total direct IPR costs consist of actual payments to licensors, accrued expenses under existing agreements and provisions for potential liabilities. Nokia believes its accruals and provisions are appropriate for all technologies owned by third parties. The ultimate outcome, however, may differ from the provided level, which could have a positive or adverse impact on Nokia's results of operations and financial condition.

Any restrictions on Nokia's ability to sell its products due to expected or alleged infringements of third-party IPR and any IPR claims, regardless of merit, could result in a material loss of profits, costly litigation, the obligation to pay damages and other compensation, the diversion of the attention of Nokia's key employees, product shipment delays or the need for Nokia to develop non-infringing technology or to enter into a licensing agreement on unfavorable commercial terms. If licensing agreements were not available or are not available on commercially acceptable terms, Nokia could be precluded from making and selling the affected products, or could face increased licensing costs. As new features are added to Nokia's products, it may need to acquire further licenses, including from new and sometimes unidentified owners of intellectual property. The cumulative costs of obtaining any necessary licenses are difficult to predict and may over time have a material adverse effect on Nokia's operating results. Refer to the section "*Business—Nokia—Intellectual Property*" for more information on Nokia's intellectual property activities.

Nokia has operations in a number of countries and, as a result, faces complex tax issues and tax disputes and could be obligated to pay additional taxes in various jurisdictions.

Nokia operates its businesses in a number of jurisdictions which involve different tax regimes and application of rules related to taxation. Applicable taxes such as income taxes as well as indirect taxes and social taxes, for which Nokia makes provisions, could increase significantly as a result of changes in applicable tax laws in the countries where Nokia operates, the interpretation of such laws by local tax authorities could drastically change or tax audits may be performed by local tax authorities. The impact of these factors is dependent on the types of revenue and mix of profit Nokia generates in various countries, for instance, profits from sales of products or services may have different tax treatments.

Nokia is subject to income taxes in multiple jurisdictions. Nokia's businesses and investments globally and especially in emerging markets are subject to uncertainties, including unfavorable or unpredictable changes in tax laws (possibly with retroactive effect in certain cases), taxation treatment and regulatory proceedings including tax audits. For instance, during early 2013 Nokia became subject to a tax investigation in India, focusing on Indian tax consequences of payments made within Nokia for the supply of operating software from its parent company in Finland. Such proceedings can be lengthy, involve actions that can hinder local operations, affect unrelated parts of Nokia's business and the outcome of such proceedings is difficult to predict. Refer to the section "*Operating and Financial Review and Prospects—Nokia—Results of Operations – Overall*" for more information on Nokia's taxes.

Adverse developments or outcomes of such proceedings could have a material adverse effect on Nokia's cash flows, income statement and financial position. Nokia is required to indemnify Microsoft for certain tax liabilities, including tax liabilities for the Nokia entities acquired by Microsoft in connection with the closing of the Sale of the Devices & Services Business or the assets acquired by Microsoft attributable to tax periods ending on or prior to the closing date of the closing of the Sale of the Devices & Services Business or a certain pre-closing portion of any taxable period that includes the closing date of the Sale of the Devices & Services Business or taxes imposed with respect to any asset not acquired by Microsoft in connection with the Sale of the Devices & Services Business.

There may also be unforeseen tax expenses that may turn out to have an unfavorable impact on Nokia. As a result and given the inherent unpredictable nature of taxation, there can be no assurance that the estimated long-term tax rate of Nokia will remain at current level or that cash flows regarding taxes will be stable.

Nokia's actual or anticipated performance, among other factors, could reduce the Company's ability to utilize its deferred tax assets.

Deferred tax assets recognized on tax losses, unused tax credits and tax deductible temporary differences are dependent on Nokia's ability to offset such items against future taxable income within the relevant tax jurisdiction. Such deferred tax assets are also based on Nokia's assumptions on future taxable earnings and these may not be realized as expected, which may cause the deferred tax assets to be materially reduced. There can be no assurances that an unexpected reduction in deferred tax assets will not occur. Any such reduction could have a material adverse effect on Nokia. Additionally, Nokia's earnings have in the past been and may in the future continue to be unfavorably impacted in the event that no tax benefits are recognized for certain deferred tax items.

Nokia may be unable to retain, motivate, develop and recruit appropriately skilled employees.

Nokia's success is dependent on its ability to retain, motivate, develop (through constant competence training) and recruit appropriately skilled employees with a comprehensive understanding of its current and planned businesses, technologies, software, products and services. The market for skilled employees and leaders in Nokia's businesses is extremely competitive.

Nokia aims to create a corporate culture that is motivational and encourages creativity and continuous learning as the competition for skilled employees remains intense. Nokia has over recent years significantly reduced its workforce and introduced changes in its strategy. Changes and uncertainty may cause disruption and dissatisfaction among employees, as well as fatigue due to the cumulative effect of several other reorganizations in past years. As a result, employee motivation, energy, focus, morale and productivity may be reduced, causing inefficiencies and other problems across the organization and leading to the loss of key employees and the increased costs in resolving and addressing such matters. Reorganizations and strategic changes may also result in key employees leaving Nokia or resource gaps, some of which may only be noticed after a certain period of time. If the strategic direction of Nokia or any of its businesses is perceived adversely by Nokia's employees, this may result in a heightened risk of being able to retain or recruit needed resources. Moreover, Nokia's employees may be targeted aggressively by its competitors, for instance, due to recent changes in Nokia's strategy, and some employees may be more receptive to such offers, leading to the loss of key employees. Accordingly, Nokia may need to adjust its compensation and benefits policies and take other measures to attract, retain and motivate skilled employees to align with the changes to Nokia's mode of working and culture in order to implement its new strategies successfully. Additionally, succession planning especially with respect to key employees and leaders is crucial to avoid business disruptions and to ensure the appropriate transfer of knowledge. From time to time, Nokia may acquire businesses or complete other transactions where retaining key employees may be crucial to obtain intended benefits of such transactions and as such, it must ensure that key employees of such acquired businesses are retained and appropriately motivated. However, there can be no assurances that Nokia will be able to implement measures successfully to retain or hire the needed employees. Nokia believes this will require significant time, attention and resources from its senior management and other key employees within Nokia's organization and may result in increased costs. Nokia has encountered, and may in the future encounter, shortages of appropriately skilled employees or lose key employees or senior management, which may hamper Nokia's ability to implement its strategies and have a material adverse effect on its business and results of operations.

Nokia may face disruptions relating to the use of its employees or relationships with employee representatives.

Relationships with employee representatives are generally managed at site level and most collective bargaining agreements have been in place for several years. Nokia's inability to negotiate successfully with employee representatives or failures in its relationships with such representatives could result in strikes by the employees, increased operating costs as a result of higher wages or benefits paid to employees as the result of such strike or other industrial action and/or inability to implement changes to Nokia's organization and operational structure in the planned timeframe or expense level, or at all. If Nokia's employees were to engage in a strike or other work stoppage, Nokia could experience a significant disruption in its day-to-day operations and/or higher ongoing labor costs, which could have a material adverse effect on Nokia's business and results of operations.

Performance failures of Nokia's partners as well as failures to achieve the required partnering arrangements could adversely affect the Company.

If any of the companies Nokia partners and collaborates with were to fail to perform as expected or if Nokia fails to achieve the collaboration or partnering arrangements needed to succeed, Nokia may not be able to bring its products, services or technologies to market successfully or in a timely manner or its operations could be affected adversely. Nokia is increasingly collaborating and partnering with third parties to develop technologies, products and services, as well as seeks new revenue through partnering arrangements. Also, Nokia depends on third-party partners in its efforts to monetize the Nokia brand and technologies, for instance through arrangements where the Nokia brand is licensed to third-party products and the product development and distribution are handled partly or fully by third parties. Additionally, Nokia has outsourced various functions to third parties and is relying on them to provide certain services to it. These arrangements involve the commitment by each party of certain resources, including technology, R&D, services and employees. Although the objective of the collaborative and partnering arrangements is a mutually beneficial outcome for each party, Nokia's ability to introduce products and services that are commercially viable and meet Nokia's and its customers' and consumers' quality, safety, security and other standards in a timely manner could be hampered if, for example, any of the following risks were to materialize:

- Nokia fails to engage the right partners or on terms that are beneficial to it;
- Nokia is unable to collaborate and partner effectively with individual partners and simultaneously with multiple partners to execute and reach the targets set for the collaboration;
- the arrangements with the parties Nokia collaborates with do not develop as expected, including their performance, delivery and timing, or include terms which prove unfavorable to Nokia;

- the technologies provided by the parties Nokia works with are insufficiently protected or infringe third parties' IPR in a way that Nokia cannot foresee or prevent, or confidential information shared with partners is leaked;
- the technologies or products or services supplied by the parties Nokia works with do not meet the required quality, safety, security and other standards or customer needs;
- the partners cause damage to the Nokia brand, for instance, if the brand licensed products are of poor quality or messaging or advertisements failures;
- Nokia's own quality controls fail;
- adverse public perception of Nokia's partner is reflected on it or Nokia is exposed to claims against it, for instance, due to labor, safety, compliance or environmental issues of its partners, including supply chain; or
- the financial condition of Nokia's collaborative partners deteriorates, which may result in underperformance by the collaborative partners, insolvency, bankruptcy or closure of the business of such partners.

Nokia's net sales, costs and results of operations, as well as the U.S. dollar value of Nokia's dividends and market price of Nokia ADSs, are affected by exchange rate fluctuations.

Nokia is a company with global operations and is therefore exposed to foreign exchange risks in the form of both transaction risks and translation risks. Nokia's policy is to monitor and hedge exchange rate exposure, and Nokia manages its operations to mitigate, but not to eliminate, the impacts of exchange rate fluctuations. There can be no assurance, however, that Nokia's hedging activities will prove successful in mitigating the impact of exchange rate fluctuations. In addition, significant volatility in the exchange rates may increase Nokia's hedging costs, as well as limit its ability to hedge its exchange rate exposure in particular against unfavorable movements in the exchange rates of certain emerging market currencies, could have an adverse effect on Nokia's results of operations, particularly its profitability. Further, exchange rate fluctuations may have an adverse effect on Nokia's net sales, costs and results of operations, as well as its competitive position through their impact on its competitors and customers. Further, exchange rate fluctuations may also materially affect the U.S. dollar value of any dividends or other distributions that are paid in euro as well as the market price of Nokia ADSs. For more information on how Nokia manages its exchange rate risks, refer to the section "*Operating and Financial Review and Prospects—Nokia—Qualitative and Quantitative Disclosure of Financial Risk Management*".

An unfavourable outcome of litigation, contract-related disputes or allegations of health hazards associated with Nokia's businesses could have a material adverse effect on the Company.

Nokia is a party to lawsuits and contract-related disputes in the normal course of its business. Litigation or contract-related disputes for instance through arbitration can be expensive, lengthy and disruptive to normal business operations and divert the efforts of Nokia's management. Moreover, the outcomes of complex legal proceedings or contract-related disputes are difficult to predict. An unfavorable resolution of a particular lawsuit or contract-related dispute could have a material adverse effect on Nokia's business, results of operations, financial condition and reputation.

Nokia records provisions for pending litigation when it determines that an unfavorable outcome is likely and the loss can reasonably be estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially differ from estimates. Nokia believes its provisions for pending litigation are appropriate. The ultimate outcome, however, may differ from the provided estimate, which could either have a positive or an adverse impact on Nokia's results of operations and financial condition.

Although Nokia products are designed to meet all relevant safety standards and recommendations globally, Nokia cannot guarantee it will not become subject to product liability claims or be held liable for such claims or be required to comply with future regulatory changes in this area, and these could have a material adverse effect on Nokia's business. Nokia has been involved in several lawsuits alleging adverse health effects associated with its products, including those caused by electromagnetic fields and the outcome of such procedures is difficult to predict, including the potentially significant fines or settlements. Even a perceived risk of adverse health effects of mobile devices or base stations could have a material adverse effect on Nokia through a reduction in the demand for mobile devices having an adverse effect, for instance through a decreased demand for mobile networks or increased difficulty in obtaining sites for base stations.

Inefficiencies, breaches, malfunctions or disruptions of information technology systems could have a material adverse effect on Nokia's businesses and results of operations.

Nokia's operations rely on the efficient and uninterrupted operation of complex and centralized information technology systems and networks, which are integrated with those of third parties. Additionally, certain personal and consumer data is stored by Nokia or its customers as part of Nokia's business operations. All information technology systems are potentially vulnerable to damage, malfunction or interruption from a variety of sources. Nokia is to a significant extent relying on third parties for the provision of information technology systems and networks. Nokia may experience disruptions if its partners do not deliver as expected or if Nokia is unable to successfully manage systems together with its business partners. The ongoing trend to cloud-based architectures and network function virtualization is introducing further complexity and associated risk.

Nokia is constantly looking into ways of improving its information technology systems. Nokia is building new capabilities, and for instance in its Nokia Networks business it is introducing new significant information technology solutions during 2015. Nokia will often need to use new service providers and may, due to technical developments or choices regarding technology, increase its reliance on certain new technologies, such as cloud or remote delivery-based services and certain other services that are used over the internet rather than using the traditional licensing model. Switching to new service providers and introducing new technologies is inherently risky and may expose Nokia to an increased risk of disruptions in its operations, for instance due to network inefficiency, a cybersecurity breach, malfunctions or other disruptions resulting from information technology systems.

Nokia pursues various measures in order to manage its risks related to system and network malfunctions and disruptions, including the use of multiple suppliers and information technology security. However, despite precautions taken by Nokia, any malfunction or disruption of Nokia's current or future systems, or networks such as an outage in a telecommunications network used by any of Nokia's information technology systems, or a breach of its cybersecurity, such as an attack, malware or other event that leads to an unanticipated interruption or malfunction of its information technology systems or networks or data leakages, could have a material adverse effect on Nokia's business, results of operations and brand value. In addition, if Nokia fails to successfully use its information technology systems and networks, its operational efficiency or competitiveness could be impaired, which could have a material adverse effect on Nokia's business and results of operations. A disruption, for instance, in Nokia's location-based services, could cause significant discontent among users of Nokia's products resulting in claims or deterioration of its brand value.

Cybersecurity breaches and other potential security risks may adversely affect Nokia's business.

Although Nokia endeavors to develop products and services that meet with the appropriate security standards, including effective data protection, Nokia or its products and online services, marketing and developer sites may be subject to cybersecurity breaches, including hacking, viruses, worms and other malicious software, unauthorized modifications or illegal activities, that may cause potential security risks and other harm to Nokia, its customers or consumers and other end-users of Nokia's products and services. Events or mere allegations of cybersecurity breaches may have a material adverse effect on Nokia's business. Additionally, Nokia contracts with multiple third parties in various jurisdictions who collect and use certain data on its behalf. Although Nokia has processes in place designed to ensure appropriate collection, handling and use of such data, third parties may use the data inappropriately, breach laws and contracts in collecting, handling or using or leaking such data. This could lead to lengthy legal proceedings or fines imposed on Nokia as well as adverse effects to Nokia's reputation and brand value.

In connection with providing products and services to Nokia's customers and consumers, certain customer feedback, information on consumer usage patterns and other personal and consumer data is collected and stored through Nokia, either by it or its business partners or subcontractors. Loss, improper disclosure or leakage of any personal or consumer data collected by Nokia or which is available to Nokia's partners or subcontractors, made available to Nokia or stored in or through Nokia's products could have a material adverse effect on it and harm its reputation and brand. In addition, governmental authorities may use Nokia's networks products to access the personal data of individuals without Nokia's involvement, for example, through so-called lawful intercept capability of network infrastructure. Even perceptions that Nokia's products do not adequately protect personal or consumer data collected by Nokia, made available to it or stored in or through its products or that they are being used by third parties to access personal or consumer data could impair Nokia's sales, results of operations, reputation and brand value.

Nokia may not be able to achieve targeted benefits from or successfully implement planned transactions.

From time to time, Nokia may consider possible transactions that could complement Nokia's existing operations and enable Nokia to grow its business or divest its existing businesses or operations. Nokia has made a number of acquisitions and divestments in addition to the Sale of the Devices & Services Business, the proposed Acquisition, and the proposed sale of Nokia's HERE business, it has for instance as part of Nokia Networks' strategy to focus on mobile broadband, divested certain businesses and may make further transactions, such as acquisitions, divestments, mergers or joint ventures in the future.

Nokia cannot provide assurance that any transactions, such as acquisitions, divestments, mergers or joint ventures, it consummates will ultimately provide the benefits Nokia originally anticipated and the return on the acquisition may be below targets or negative. After reaching an agreement for a transaction, Nokia may need to satisfy pre-closing conditions on acceptable terms, which may prevent it from completing the transaction or make changes to the scope of the transaction. Furthermore, Nokia may not succeed in integrating acquired operations with its existing businesses.

Transactions, including acquisitions, divestments, mergers or joint ventures involve inherent risks, including:

- the assumption and exposure to unknown or contingent liabilities of acquired businesses; such as those related to contractual obligations, taxes, pensions, environmental liabilities, disputes and compliance matters;
- the ability to integrate acquired businesses and/or to achieve identified and anticipated operating and financial synergies;
- unanticipated delays or inability to proceed with transactions as planned, for instance, due to issues in obtaining regulatory or shareholder approvals. For instance, in certain cases regulatory bodies could impose conditions on the acquirer of a business to divest certain assets or impose other obligations due to competition laws;
- unanticipated costs or changes in scope, for instance, due to issues with regulators or courts imposing terms on a transaction or obstacles that result in changes required in the scope of the transaction;
- the diversion of management attention from the existing business;
- the potential loss of key employees and customers;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition;
- potential disputes with sellers, purchasers or other counterparties;
- impairments related to goodwill and other intangible assets, for instance, due to business performance after an acquisition or differences in evaluating the goodwill with respect to the acquired businesses;
- there may be limitations in Nokia's ability to control any potential joint ventures and accordingly such transactions may result in increased exposure to operational, compliance, legal or financial risks;
- unexpected costs associated with the separation of the business which is to be divested;
- additional payment obligations and higher costs resulting from non-performance by divested businesses;
- exposure to contingent liabilities in connection with any indemnity Nokia provides to the purchaser in connection with such divestment;
- potential post-closing claims for indemnification and disputes with purchaser;
- Nokia's dependency on some of the divested businesses as its suppliers in the future; and
- high transaction costs.

Significant transactions may also result in claims between the parties, which can consume time and management attention and the outcome of disputes related to significant transactions may be difficult to predict.

The Sale of the Devices & Services Business may expose Nokia to contingent liabilities and the agreements Nokia have entered into with Microsoft may have terms that prove to be unfavorable to the Company.

The Sale of the Devices & Services Business may expose Nokia to contingent liabilities and the agreements it has entered into with Microsoft may have terms that prove to be unfavorable to Nokia. The Devices & Services Purchase Agreement (as defined in the section "*Business—Nokia—Material Agreements Outside the Ordinary Course of Business—Sale of the Devices & Services Business to Microsoft*") may expose Nokia to liabilities or have terms that prove unfavorable to it. Under the Devices & Services Purchase Agreement, Nokia is required to indemnify Microsoft for the breach or violation of certain representations and warranties and covenants made by Nokia in the Devices & Services Purchase Agreement, subject to certain limitations and, in some cases, subject to a cap of EUR 284 250 000 and for losses arising from assets not acquired by Microsoft, liabilities retained by Nokia and liabilities that are not primarily related to the Devices & Services Business, subject to certain limitations and, in some cases, subject to a cap of EUR 284 250 000. Significant indemnification claims by Microsoft with respect to the Devices & Services Purchase Agreement and the Sale of the Devices & Services Business could have a material adverse effect on Nokia's financial condition. In addition, Nokia is required to indemnify Microsoft for certain tax liabilities, including tax liabilities of the Nokia entities acquired by Microsoft, the Devices & Services Business or the assets to be acquired by Microsoft attributable to tax periods ending on or prior to the closing date of the transaction or a certain pre-closing portion of any taxable period that includes the closing date of the transaction or taxes imposed with respect to any asset not being acquired by Microsoft.

Nokia's efforts aimed at managing and improving financial or operational performance, cost savings and competitiveness may not lead to targeted results or improvements.

Nokia needs to manage its operating expenses and other internal costs to maintain cost efficiency and competitive pricing of its products and services. Failure by Nokia to determine the appropriate prioritization of operating expenses and other costs, to identify and implement the appropriate measures to adjust its operating expenses on a timely basis and other costs accordingly, or to maintain achieved reduction levels, could have a material adverse effect on Nokia's business, results of operations and financial condition.

Nokia operates in highly competitive industries and it is continuously aiming to increase the efficiency of its operations. Nokia may in the ordinary course of business institute new plans for restructuring measures. The restructuring programs are costly, potentially disruptive to operations and may not lead to sustainable improvements in overall competitiveness and profitability, and may have an adverse effect, for instance, as a result of the loss of scale benefits.

Nokia may not be able to optimize the Company's capital structure as planned and re-establish its investment grade credit rating.

On April 29, 2014, Nokia announced a planned capital structure optimization program, focusing on a recommencement of dividends, distribution of excess capital to shareholders, and reduction of interest bearing debt. Nokia has also targeted to re-establish its investment grade credit rating. On April 15, 2015, Nokia announced that it will suspend its capital structure optimization program, including the execution of the share repurchase program, effective as of April 15, 2015 and until the closing of the Exchange Offer. The suspension did not affect Nokia's long term target to return to an investment grade credit rating and Nokia intends to manage the combined capital structure accordingly by retaining significant gross and net cash positions and by proactively reducing indebtedness. In conjunction with the Exchange Offer, Nokia intends to evaluate the resumption of a capital structure optimization program for the Combined Company and communicate its plans to move towards a more optimal capital structure for the Combined Company.

There can be no assurance that any possible capital structure optimization program can be implemented or would result in the targeted benefits. Moreover, there can be no assurance of Nokia being able to re-establish its investment grade credit rating. Additionally, provided that the program is resumed or a new updated program is announced, returning capital to shareholders reduces Nokia's capital, which could expose Nokia to financial difficulties or Nokia needing to incur additional indebtedness under certain circumstances, for instance, if Nokia has not accurately estimated its need of capital going forward or its business performance.

Should the current uncertain market conditions continue or deteriorate, Nokia or the Combined Company may not be able to receive sufficient financing.

General uncertainty as well as adverse developments in the financial market and general economic conditions, in particular, effects of the continued uncertainty or worsening of the current economic and financial situation, for instance, in China, Greece and Puerto Rico, could have a material adverse effect on Nokia's ability to obtain sufficient financing needed by Nokia to carry out its business after Completion of the Exchange Offer. The uncertain market conditions may mean that the price of the financing needed by Nokia will increase and that it will be less readily available. Nokia could, at any given point in time, encounter difficulties in raising funds and, as a result, lack the access to liquidity it needs, which in turn may have a material adverse effect on the business, financial condition, and/or results of Nokia and Alcatel Lucent.

Nokia's or the Combined Company's ability to make scheduled payments on its debt is subject to general economic, financial, competitive, market, regulatory and other factors that may be beyond its control. There can be no assurance that Nokia's or the Combined Company's operations will continue to generate sufficient cash flow to allow it to service its debt, to fund its working capital, pension programs, capital expenditure and research and development requirement and to engage in future acquisitions. Failure to do so could have a material adverse effect on the business, financial condition and/or results of operations of Nokia and Alcatel Lucent. For more information on Nokia's liquidity and financial risk management, refer to the sections "*Operating and Financial Review and Prospects—Nokia—Liquidity and Capital Resources"* and *"Operating and Financial Review and Prospects—Nokia—Qualitative and Quantitative Disclosure of Financial Risk Management*".

Nokia's or the Combined Company's credit ratings may not reflect all risks and may not improve in the future.

Moody's and Standard & Poor's have assigned credit ratings to Nokia. These ratings may not reflect the potential impact of all risks relating to Nokia's business or the potential impact of the combination with Alcatel Lucent. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Should Nokia's credit rating be downgraded, this could increase the financial costs of Nokia and thereby have a material adverse effect on the business, financial condition and/or results of operations of Nokia and Alcatel Lucent.

Nokia has set a goal of re-establishing its investment grade credit rating. There can be no assurances that Nokia or the Combined Company may in the future achieve an investment grade credit rating at the targeted time or at all. Failure to obtain an investment grade credit rating may have a material adverse effect on the business, financial condition and/or results of operations of Nokia and Alcatel Lucent.

Nokia Networks is dependent on the development of the mobile broadband infrastructure industry.

Nokia Networks' sales and profitability are dependent on the development of the mobile broadband infrastructure industry in numerous diverse markets, particularly the investments made by mobile operators and services providers in network infrastructure and related services. The pace of such investments is in turn dependent on the ability of network providers and mobile operators to increase subscriber numbers, reduce churn, compete with business models eroding the revenue from the traditional voice, messaging and data transport services, stimulate increased use of voice, data and value-adding services with higher margins, as well as the financial condition of the network providers and mobile. Additionally, market developments favoring new technological solutions such as Software Defined Networking, may reduce spending by Nokia Networks' customers or favor Nokia Networks' competitors who have a stronger position in such technologies. Difficulties, uncertainty or any deterioration in global economic conditions or the occurrence or escalation of political unrest may result in mobile network operators postponing or reducing their investments in their network infrastructure and related services. Adverse developments in the markets to which Nokia Networks is more significantly exposed to may have a profound adverse effect on Nokia Networks.

Nokia Networks focuses on mobile broadband and accordingly its sales and profitability depend on its success in the mobile broadband infrastructure and related services market.

In line with its strategy, Nokia Networks focuses on mobile broadband and related services. Nokia Networks is focusing on end-to-end mobile broadband leadership, services growth, and quality and execution. Accordingly, if

Nokia Networks is not successful in implementing its strategy and achieving the desired outcomes in a timely manner or if the mobile broadband infrastructure and related services market fails to develop in the manner currently anticipated by Nokia, or if there are unfavorable variations in Nokia Networks' product and service mix towards lower margin products or services, the Nokia Networks' business, results of operations, particularly profitability, and financial condition could be materially adversely effected. Nokia Networks' success with its focus on mobile broadband infrastructure and related services is subject to risks and uncertainties, including:

- the intensity of the competition;
- further consolidation of Nokia Networks' customers or competitors;
- Nokia Networks' inability to develop mobile broadband products and services in a timely manner, or at all, that meet future technological or quality requirements and challenges;
- Nokia Networks' inability to correctly estimate technological developments or adapt to such;
- the development of the mobile broadband and related services market in directions that leave Nokia Networks deficient in certain technologies and industry areas that impact its overall competitiveness;
- certain customers who currently buy products and services from Nokia Networks, which are not regarded as core customers, may choose to turn to alternative vendors to maintain end-to-end services from such vendors;
- delays in executing relevant initiatives related to the further implementation of Nokia Networks' strategy;
- Nokia Networks' inability to successfully develop market recognition as a leading provider of software and services in the mobile broadband infrastructure and related services market;
- Nokia Networks' inability to sustain or grow its net sales in the businesses and areas of its strategic focus, which could result in the loss of scale benefits and reduced competitiveness;
- Nokia Networks' inability to identify opportunities and entering agreements which meet its requirements and profitability estimates, and capture the expected opportunities for additional sales related to deals with lower initial profitability;
- Nokia Networks' inability to continue utilizing current customer relations related to its mobile broadband infrastructure products for advancing its sales of related services, and Nokia Networks may not be able to pursue new services-led growth opportunities;
- Nokia Networks' global presence and business that involves large projects expose Nokia Networks to various business and operational risks including those related to market developments, political unrest, economic and trade sanctions and compliance and anticorruption related risks, especially with respect to emerging markets;
- Nokia Networks' inability to maintain efficient and low-cost operations; and
- Nokia Networks may be adversely effected by economic or political instability or the existence or introduction of further economic and trade sanctions, for instance the events in Ukraine and the international reaction to these may adversely affect Nokia Networks' business or operations in Ukraine, Russia and/or related markets.

Nokia Networks faces intense competition and may fail to effectively and profitably invest in new competitive high quality products, services, upgrades and technologies and to bring them to market in a timely manner.

The mobile broadband infrastructure and related services market is characterized by rapidly changing technologies, frequent new solutions requirements and product feature introductions and evolving industry standards. Nokia Networks' business performance depends to a significant extent on the timely and successful introduction of new products, services and upgrades of current products to meet the evolving requirements of its customers, comply with emerging industry standards and address competing technological and product developments carried out by competitors. The R&D of new and innovative, technologically advanced products, including the introduction of new radio frequency technologies, as well as upgrades to current products and new generations of technologies, is a complex and uncertain process requiring high levels of innovation and investment, as well as accurate anticipation of technology and market trends. Nokia Networks may focus its resources on products and technologies that do not become widely accepted or ultimately prove unviable. Nokia Networks results of operations will depend to a significant extent on its ability to succeed in following areas:

- maintaining and developing a product portfolio and service capability that is attractive to its customers;
- continuing to introduce new products and product upgrades successfully and on a timely basis;
- development of new or enhance existing tools for its services offerings;
- optimizing the amount of customer or market specific technology, product and feature variants in the product portfolio;
- continuing to enhance the quality of its products and services;
- appropriate pricing of the products and services, which is crucial in the networks infrastructure business due to the typical long-term nature and complexity of the agreements; and
- leveraging its technological strengths.

The participants in the mobile broadband infrastructure and related services market compete on the basis of product offerings, technical capabilities, quality, service and price. The competitive environment in this market continues to be intense and is characterized by maturing industry technology, equipment price erosion and challenging price competition. Moreover, mobile operators' cost reductions, network sharing and industry consolidation among the operators are reducing the amount of available business, resulting in further increasing competition and pressure on pricing and profitability. Consolidation of operators may result in them concentrating their business in selected service providers, increasing the possibility that agreements with Nokia Networks are terminated or not renewed.

Nokia Networks competes with companies that have larger scale, affording such companies more flexibility on pricing, likewise Nokia Networks competes with companies that may have stronger customer financing possibilities due to internal policies or governmental support, such as in the form of trade guarantees, allowing them to offer products and services at very low prices or with attractive financing terms. Nokia Networks' key competitors have large scale, and industry consolidation could result in even larger scale entities, impairing Nokia Networks' competitive position. Nokia Networks also continues to face intense competition from competitors, including from China, which endeavor to gain further market share and broaden their presence in new areas of the network infrastructure and related services business. Competition for new customers, as well as for new infrastructure deployment is particularly intense and focused on price and contract terms in favor of customers. In addition, new competitors may enter the industry as a result of acquisitions or shifts in technology. For example, the virtualization of core and radio networks and the convergence of information technology and telecommunications may lower the barriers to entry for IT companies entering the traditional telecommunications industry. Further, these developments may enable more generic IT and intellectual property hardware to be used in telecommunications networks leading to further price pressure. If Nokia Networks cannot respond successfully to the competitive challenges in the mobile broadband infrastructure and related services market, Nokia's business and results of operations, particularly profitability, and financial condition may be materially adversely affected.

Nokia Networks' failure to effectively and profitably invest in new competitive products, services, upgrades and technologies and bring them to market in a timely manner could result in a loss of net sales and market share and have a material adverse effect on Nokia's results of operations, particularly profitability, and financial condition. Nokia Networks needs to introduce products and services in a cost-efficient and a timely manner and to manage proactively the costs and cost development related to its portfolio of products and services, including component sourcing, manufacturing, logistics and other operations. Currency fluctuations may also have an adverse impact on Nokia Networks' ability to manage its costs. If Nokia Networks fails to maintain or improve its market position and scale compared to its competitors across the range of its products and services, as well as leverage Nokia's scale to the fullest extent, or if it is unable to develop or otherwise acquire software, keep prices at competitive levels, or if its costs increase relative to those of Nokia's competitors due to currency fluctuations, this could materially adversely affect Nokia's competitive position, business and results of operations, particularly its profitability.

Defects in Nokia Networks' products could adversely affect the Company's results of operations.

Nokia Networks' products are highly complex, and defects in their design, manufacture and associated hardware, software and content have occurred and may occur in the future. Defects and other quality issues may result from, among other things, failures in Nokia's own product manufacturing and service creation and delivery as well as failures of its suppliers to comply with Nokia's supplier requirements, or failures in products and services created jointly with business partners or other third parties where the development and manufacturing process is not fully within Nokia's control. Quality issues may cause, for instance, delays in deliveries, liabilities for network outages, and additional repair, product replacement or warranty costs to Nokia, and harm its reputation and its ability to sustain or obtain business with its current and potential customers. With respect to Nokia's services, quality issues may relate to the challenges of having the services fully operational at the time they are made available to Nokia's customers and maintaining them on an ongoing basis. Nokia makes provisions to cover its estimated warranty costs for its products. Nokia believes its provisions are appropriate, although the ultimate outcome may differ from the provisions that are provided for, which could have a material adverse effect on Nokia's results of operations, particularly profitability and financial condition.

Nokia Networks is dependent on a limited number of customers and large multi-year agreements and accordingly a loss of a single customer, further operator consolidation or issues related to a single agreement, may have a significant impact on Nokia Networks.

A large proportion of net sales that Nokia Networks generates have historically been derived from a limited number of customers (for more information on Nokia Networks' largest customers, refer to section "*Business—Nokia—Nokia's Business Operations—Nokia Networks—Customers, Sales and Marketing*"). As consolidation among existing customers continues, it is possible that an even greater portion of Nokia Networks' net sales will be attributable to a smaller number of large service providers operating in multiple markets. As part of Nokia Networks' focus on certain markets, the proportion of the sales to certain key customers in such markets has also grown. These developments will also increase the impact of the outcome of certain individual agreement tenders on Nokia Networks' net sales. In addition, mobile operators are increasingly entering into network sharing arrangements, as well as joint procurement agreements, which may reduce their investments and the number of networks available for Nokia Networks to service. Further, the procurement organizations of certain large mobile operators sell consulting services to enhance the negotiation position of smaller operators towards their vendors. As a result of these trends and the intense competition in the industry, Nokia Networks may be required to provide agreement terms increasingly favorable to customers to remain competitive. Any unfavorable developments in relation to, or any change in the agreement terms applicable to a major customer, may have a material adverse effect on Nokia's business, results of operations and financial condition.

Large multi-year agreements, which are typical in the mobile broadband infrastructure and related services business, include a risk that the timing of sales and results of operations associated with such agreements will differ from expectations. Moreover, such agreements often require dedication of substantial amounts of working capital and other resources, which may adversely affect Nokia's cash flow, particularly in the early stages of the term of an agreement, or may require Nokia Networks to continue to sell certain products and services, or to certain markets, that would otherwise be discontinued, thereby diverting resources from developing more profitable or strategically important products and services, or focusing more profitable or strategically important markets. Any suspension, termination or non-performance by Nokia under the agreement terms may have a material adverse effect on Nokia Networks because mobile operators have demanded and may continue to demand stringent agreement undertakings, such as penalties for agreement violations.

Nokia Networks may face problems or disruptions in the Company's manufacturing, service creation, delivery, logistics or supply chain.

Nokia's product manufacturing, service creation and delivery as well as its logistics are complex, require advanced and costly equipment and include outsourcing to third parties. These operations are continuously modified in an effort to improve efficiency and flexibility of Nokia's manufacturing, service creation and delivery as well as its logistics and to produce, create and distribute continuously changing volumes. Nokia may experience difficulties in adapting its supply to meet the changing demand for Nokia's products and services, both ramping up and down production at its facilities and network implementation capabilities as needed on a timely basis, maintaining an optimal inventory level, adopting new manufacturing processes, finding the most timely way to develop the best technical solutions for new products, managing the increasingly complex manufacturing process and service creation and delivery process or achieving required efficiency and flexibility, whether Nokia manufactures its products and creates and delivers its services itself or outsources to third parties.

Nokia's manufacturing operations depend on obtaining sufficient quantities of fully functional products, components, sub-assemblies, software and services on a timely basis. Nokia's principal supply requirements for its products are for electronic components, mechanical components and software, which all have a wide range of applications in Nokia's products.

In some cases, a particular component or service may be available only from a limited number of suppliers or from a single supplier. In addition, Nokia's dependence on third-party suppliers has increased as a result of its strategic decisions to outsource certain activities. Suppliers may from time to time extend lead times, limit supplies, change their partner preferences, increase prices, provide poor quality supplies or be unable to adapt to changes in demand due to capacity constraints or other factors, which could adversely affect Nokia's ability to deliver its products and services on a timely basis. For example, Nokia Networks' efforts to meet its customer needs during major network roll-outs in certain markets may require sourcing large volumes of components and services from suppliers and vendors at short notice and simultaneously with its competitors. If Nokia fails to anticipate customer demand properly, an over-supply or under-supply of components and production or services delivery capacity could occur. In many cases, some of Nokia's competitors utilize the same contract manufacturers, component suppliers and service vendors. If they have purchased capacity or components ahead of Nokia, this could prevent Nokia from acquiring the required components or services, which could limit Nokia's ability to supply its customers or increase its costs.

Nokia also commits to certain capacity levels or component quantities which, if unused, will result in charges for unused capacity or scrapping costs. The cost-efficiencies implemented in Nokia's supply chain designed to enable Nokia to meet its target of reducing Nokia Networks' production overheads may result in lapses in the availability of certain components, especially in times of tight supply or demand peaks.

Nokia may not be able to secure components at attractive terms from its suppliers or, a supplier may fail to meet Nokia's supplier requirements, such as, most notably, Nokia's and its customers' product quality, safety, security and other standards. Consequently, some of Nokia's products may be unacceptable to Nokia and its customers, or may fail to meet Nokia's quality controls. In case of issues affecting a product's safety or regulatory compliance, Nokia may be subject to damages due to product liability, or defective products, components or services may need to be replaced. Also, some suppliers may not comply with local laws, including, among others, local labor laws. In addition, a component supplier may experience delays or disruptions to its manufacturing processes or financial difficulties or even insolvency, bankruptcy or closure of its business, in particular due to difficult economic conditions. Any of these events could delay Nokia's successful and timely delivery of products that meet Nokia's and its customers' quality, safety, security and other requirements, or otherwise materially adversely affect Nokia's sales and results of operations or its reputation and brand value.

Nokia Networks' business models rely on solutions for distribution of services and software or data storage, which entail inherent risks relating to security or applicable regulatory regimes.

Nokia's current business models rely on certain centralized data processing solution and cloud or remote delivery-based services for distribution of services and software or data storage. The cloud or remote delivery-based business models and operations have certain inherent risks, including those stemming from the potential security breaches and applicable regulatory regimes, which may cause limitations in implementing cloud or remote delivery-based models or expose Nokia to regulatory or contractual actions.

Nokia may also experience challenges caused by third parties or other external difficulties in connection with Nokia's efforts to modify its operations to improve the efficiency and flexibility of Nokia's manufacturing, service creation and delivery as well as Nokia's logistics, including, but not limited to, strikes, purchasing boycotts, public harm to Nokia's brands and claims for compensation resulting from its decisions on where to place and how to utilize its manufacturing facilities. Such difficulties may result from, among other things, delays in adjusting production at Nokia's facilities, delays in expanding production capacity, failures in Nokia's manufacturing, service creation and delivery as well as logistics processes, failures in the activities Nokia has outsourced, and interruptions in the data communication systems that run its operations. Such failures or interruptions could result in Nokia's products not meeting Nokia's and its customers' quality, safety, security and other requirements, or being delivered late or in insufficient or excess volumes compared to Nokia's own estimates or customer requirements, which could have a material adverse effect on Nokia's sales, results of operations, reputation and the value of its brands.

Nokia Networks' production sites or the production sites of the Company's suppliers are geographically concentrated.

Many of Nokia's production sites or the production sites of its suppliers are geographically concentrated, with a majority of its suppliers based in Asia. In the event that any of these geographic areas are affected by any adverse conditions, such as natural disasters, geopolitical disruptions or civil unrest that disrupt production and/or deliveries from Nokia's suppliers, Nokia's ability to deliver its products on a timely basis could be adversely affected, which may materially adversely affect Nokia's business and results of operations. Refer to "*Business—Nokia—List of Nokia's Material Properties*" for additional information concerning Nokia's production sites.

Nokia Networks may be adversely affected by developments with respect to the customer financing or extended payment terms it provides to customers.

Mobile operators in certain markets may require their suppliers, including Nokia Networks, to arrange, facilitate or provide financing in order to obtain sales or business. They may also require extended payment terms. In some cases, the amounts and duration of these financings and trade credits, and the associated impact on Nokia's working capital, may be significant. Requests for customer financing and extended payment terms are typical for Nokia's industry.

Uncertainty in the financial markets may result in increased customer financing requests. As a strategic market requirement, Nokia Networks arranges and facilitates financing or provides extended payment terms to a number of customers, typically supported by export credit or guarantee agencies or through the sale of the related receivables. In the event that export credit agencies face future constraints on their ability or willingness to provide financing to Nokia Networks' customers or there is insufficient demand to purchase their receivables, these could have a material adverse effect on Nokia's business and financial condition. Nokia Networks has agreed to extended payment terms for a number of customers, and may continue to do so. Extended payment terms may continue to result in a material aggregate amount of trade credits. Even when the associated risk is mitigated by a diversified customer portfolio, defaults in the aggregate could have a material adverse effect on Nokia.

Nokia Networks cannot guarantee that it will be successful in arranging, facilitating or providing required financing, including extended payment terms to customers, particularly in difficult financial conditions on the market. In addition, certain of Nokia Networks' competitors may have greater access to credit financing, which could adversely affect Nokia's ability to compete successfully for business opportunities in the mobile broadband infrastructure and, indirectly, in the related services sectors. Nokia Networks' ability to manage its total customer financing and trade credit exposure depends on a number of factors, including capital structure, market conditions affecting its customers, the levels and terms of credit available to it and to its customers, the cooperation of export credit or guarantee agencies and Nokia's ability to mitigate exposure on acceptable terms. Nokia Networks may not be successful in managing the challenges associated with the customer financing and trade credit exposure that it may face from time to time. While defaults under financings, guarantees and trade credits to Nokia's customers resulting in impairment charges and credit losses have not been a significant factor for Nokia Networks in the past, these may increase in the future, and commercial banks may not continue to be able or willing to provide sufficient long-term financing, even if backed by export credit agency guarantees, due to their own liquidity constraints.

Nokia Networks has used sale of receivables to banks or other financial institutions to improve its liquidity, and any significant change in Nokia Networks' ability to continue this practice could impair Nokia's liquidity. For more information on measures taken in relation to Nokia's liquidity, refer to the section "*Operating and Financial Review and Prospects—Nokia—Liquidity and Capital Resources*".

HERE business strategy is subject to risks and uncertainties, including intense competition faced by HERE, and may fail to effectively and profitably invest in new competitive high-quality services and data and bring these to market in a timely manner or adjust its operations efficiently.

Nokia's HERE business strategy is subject to various risks and uncertainties. HERE net sales are mainly derived from sales to the automotive industry, making it dependent on overall developments in that industry and HERE's ability to remain successful in that industry, for instance through its ability to be a competitive provider of its products and services for the automotive industry. Nokia's HERE business faces intense competition from global companies with different business models as well as certain local companies, and new competitors may enter the location based services market through licensing of map data from other companies or by building their own offering of location data. For example, Google uses an advertising-based model that allows consumers and companies to use parts of its map data and related services in their products free of charge. Google is increasingly competing with Nokia's HERE business in the provision of local search and services in the automotive industry. Recently Google has made further advances in the automotive industry, for instance by entering into agreements with various automotive manufacturers and technology companies through the Google driven Open Automotive Alliance. The success of Google's Android platform and search services can result in a competitive advantage for Google when providing local search and other services to the automotive industry. Additionally, certain companies are bringing novel solutions, for instance offering entertainment and information capabilities into vehicles, which can include location intelligence provided by HERE's competitors. Technological developments may make it more economical to build location data and certain of HERE's competitors have resources to invest in building location data. Additionally, certain governmental and quasi-governmental agencies are producing more map data with improved coverage, content, higher quality and available free of charge or at lower prices. Certain crowdsourcing efforts may also result in the availability of competing map data.

Nokia made adjustments to the HERE business strategy during 2014. Such strategy changes result in certain operational changes. Such adjustments are costly, potentially disruptive to operations and may not lead to sustainable improvements in overall competitiveness and profitability. For instance, HERE sales efforts and ability to gain new business may suffer as a result of Nokia implementing such changes. Additionally, Nokia's HERE business is exposed to various risks and uncertainties, including the following:

- the existing map license data customers may choose not to purchase, or purchase less, content or services from Nokia's HERE business. For instance, Nokia may not be able to establish a successful location-based platform through HERE if other competing location-based platforms are preferred by customers and consumers, especially as HERE is a recently launched brand and platform and, as such, may be disadvantaged to more established brands and platforms. Additionally, Nokia may not be able to establish a successful HERE application suite for the platforms Nokia is targeting or attract partners to make the HERE offerings sufficiently competitive;
- HERE net sales and profitability are dependent on developments in the automotive industry, including vehicle sales and adoption of in-vehicle navigation systems. Additionally, customer requirements may result in difficulties or increased costs for Nokia's business models. For instance, requirements to tailor solutions for customers may limit Nokia's ability to scale its offerings;
- HERE licenses data to vehicle manufacturers for various embedded solutions through the vehicle in-dash unit. Such sales may be negatively affected if the HERE offering is not competitive or through unfavorable industry trends. For instance, HERE may be adversely affected if navigation solutions become more prevalent where the in-dash unit does not include embedded software but relies on navigation beamed through a smartphone or other portable devices;
- HERE has in the past and may going forward continue to invest capturing longer-term transformational growth opportunities. Such investments have an adverse effect on profitability in the short term, and the intended benefits may not be realized as planned or at all;
- HERE strives to be relevant in new and upcoming location-based services, such as augmented reality, new vehicle software systems, and autonomous driving systems. Also, HERE strives to be deeply integrated into vehicle driver assistance systems. If HERE does not succeed in implementing this strategy, or there are unfavorable technical or regulatory developments, Nokia's HERE business could be materially and adversely

affected. Additionally, investments into any new business opportunities may not yield a return on investment as planned, or at all;

- Nokia may have inaccurately predicted market developments in, or market size of, the automotive navigation and personal navigation devices markets or it may lose market share to other manufacturers or other devices offering navigation solutions, including smartphones;

- HERE's competitiveness may be adversely affected if it is unable to effectively collate, process and analyze data, such as end-user behavioral data, and to derive intelligence from that data, which could be used to enhance its product offering. Nokia's current business models rely on certain centralized data processing solutions and cloud delivery services for distribution of services and software or data storage that are subject to risks and uncertainties. The HERE location cloud operates a cloud-based service model with inherent risks, including those stemming from potential security breaches and applicable regulatory regimes that may cause limitations in cloud-based delivery models or expose Nokia to regulatory or legal actions or limit Nokia's ability to conduct intended business. Additionally, HERE may be subject to other IT issues or cybersecurity breaches, resulting, for instance, in disruptions in online service continuity, privacy breaches and security of customer data issues;

- Nokia may not succeed in attracting strategic partners and developers to develop and support Nokia's ecosystem around its HERE offering, or provide services that are supported by relevant ecosystems; and

- the offering of HERE maps and software, involves a possibility of product liability, product recall, or warranty claims and associated adverse publicity. Claims could be made by business customers if errors or defects result in a failure of their products or services, or by end-users of those products or services as a result of actual or perceived errors or defects in the map database or HERE software. In addition, business customers may require Nokia to correct defective data or software, which could be costly, or pay penalties if quality requirements or service level agreements are not satisfied.

The carrying amount of HERE goodwill may not be recoverable.

The carrying amount of goodwill for HERE is EUR 2.3 billion. Nokia assesses the carrying amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable. Additionally, Nokia assesses the carrying amount of other identifiable assets if events or changes in circumstances indicate that their carrying amounts may not be recoverable. If revenue from Nokia's HERE business does not develop as anticipated or new sources of revenue do not materialize as expected, or at all, the HERE business may not generate sufficient positive operating cash flow. This or other factors may lead to the decrease in value of Nokia's location-based services and commerce assets, leading to further impairment charges that may adversely affect Nokia, including the goodwill for Nokia's HERE business. In the third quarter 2014, Nokia conducted a goodwill impairment assessment related to its HERE business as a result of an adjustment to the HERE strategy and the related new long-term plan. Nokia concluded that these factors resulted in a triggering event requiring an interim impairment test to assess whether events or changes in circumstances indicated that the carrying amount of Nokia's goodwill may not be recoverable. As a result of the impairment test, Nokia recorded a charge to operating profit of EUR 1 209 million for the impairment of goodwill. While Nokia believes the estimated recoverable values are reasonable, actual performance in the short and long term could materially differ from Nokia's forecasts, which could impact future estimates of the recoverable value for HERE and may result in further impairment charges.

HERE business sales are dependent on the overall automotive market developments and customer business conditions.

Nokia's HERE business generates net sales through licensing its map data to automotive manufacturers as well as other companies, such as mobile device manufacturers and personal navigation device manufacturers. The licensing fee arrangements vary and they can be fixed for a certain period or vary based on licensee sales. As such, HERE's ability to collect licensing fees is dependent on the success of its licensees and overall market conditions as well as HERE's ability to reach successful pricing arrangements. For instance, automotive sales and the overall rate of adoption of navigation systems in cars affect HERE performance. HERE licenses data to vehicle manufacturers for various embedded solutions though the vehicle in-dash unit. Such sales may be negatively affected if HERE's offerings are not competitive or through unfavorable industry trends. For instance, HERE may be adversely affected if navigation solutions become more prevalent where the in-dash unit does not include embedded software but relies on navigation beamed through a smartphone or other portable devices.

The demand for digital map information and other location-based content by automotive and mobile device manufacturers is subject to developments of the automotive and consumer electronics industries, and it is also affected by possible declines in relation to contraction of sales in the automotive and consumer electronics industry. HERE sales and profitability are dependent on the developments of the automobile market, as well as the sales of the companies licensing data from HERE. Additionally, market developments favoring certain technological solutions where HERE competitors are more prevalent, such as vehicle navigation based on brought-in solutions rather than built-in, may have an adverse effect on HERE. As such, HERE is exposed to developments in the automotive market and general economic conditions globally and regionally. Adverse developments in the markets in which HERE has a strong position have a more profound adverse effect on HERE.

HERE business sales, especially with respect sales to the automotive industry are derived from a limited number of customers and large multi-year agreements.

HERE relies on agreements with a limited number of customers, especially in the automotive market. As such, a large proportion of net sales that HERE generates are historically derived from a limited number of customers. Possible consolidation among existing customers would result in an even greater portion of HERE's net sales being attributable to a smaller number of large customers. Any unfavorable developments in relation to or any change in the applicable agreement terms with a major customer may have a material adverse effect on Nokia's business, results of operations and financial condition. The agreements are generally significant multi-year agreements, where suspension, termination or non-performance of the agreement by Nokia may have a material adverse effect on HERE. Additionally, if HERE is not able to renew such agreements, this could have a significant adverse effect on HERE net sales.

Nokia Technologies' patent licensing income may be adversely affected by general economic conditions or adverse market developments as well as regulatory or other developments.

Nokia Technologies' sales and profitability are currently derived largely from patent licensing. Patent licensing income may be adversely affected by general economic conditions or adverse market developments as well as regulatory and other developments with respect to protection awarded to technology innovations or compensation trends with respect to licensing. For example, Nokia's patent licensing business may be adversely affected if licensees' ability to pay is reduced or they become insolvent or bankrupt. Additionally, poor performance of potential or current licensees may limit their motivation to seek new or renew existing licensing arrangements with Nokia. In certain cases, the patent licensing income is dependent on the sales of the licensee, where the reduced sales of the licensee have a direct effect on the patent licensing income received by Nokia Technologies. With respect to fixed fee contracts, potential licensee bankruptcies would have adverse effects on the patent licensing income of Nokia Technologies. In addition, Nokia is entering into new business areas based on its technology assets and may explore new business ventures. Such business or plans may be adversely affected by adverse industry and market developments in the numerous diverse markets in which Nokia Technologies operates, as well as by general economic conditions globally and regionally.

Nokia Technologies' patent licensing income and other intellectual property related revenue are subject to risks and uncertainties and will be adversely affected if Nokia is not able to maintain the existing sources of intellectual property related revenue or establish new sources.

Nokia's products and services include numerous standardized or proprietary patented technologies. Nokia invests significantly in R&D in its businesses to develop new relevant technologies, products and services. Nokia's R&D activities have led to Nokia Technologies having one of the industry's strongest intellectual property portfolios, which Nokia's products and services depend on and Nokia also generate revenue by licensing these portfolios or through divesting patents. Nokia seeks to renew existing license agreements and negotiate new license agreements especially with mobile device manufacturers, while also seeking to expand the scope of its licensing activities to other industries, in particular those that implement mobile communication technologies. In addition to licensing Nokia's standard-essential patents, Nokia seeks to increase the licensing of implementation patents. The continued strength of Nokia's portfolio depends on its ability to create new relevant technologies, products and services through its R&D activities. If Nokia fails in creating technologies, products and services that are protected by IPR or if the technologies, products and services do not become relevant and therefore attractive to licensees, the strength of Nokia's intellectual property portfolios would be reduced, which could adversely affect Nokia's ability to use its intellectual property portfolios for revenue generation.

Despite the steps that Nokia has taken to protect its technology investments with IPR, Nokia cannot be certain that any rights or pending applications will be granted or that the rights granted in connection with any future patents or other IPR will be sufficiently broad to protect its innovations. Third parties may infringe Nokia's intellectual property relating to its proprietary technologies or disregard their obligation to seek a license under Nokia's standard-essential patents or seek to pay less than reasonable license fees for such.

Refer to risk factor "*—Nokia Technologies' patent licensing income is dependent on a limited number of key licensees, including Samsung, that contribute proportionally significant patent licensing income*" for more information about risk relating to licensing income and other intellectual property.

Nokia retained its entire patent portfolio upon the Sale of the Devices & Services Business. In the past, parts of Nokia's intellectual property creation were driven by the innovation stemming from the Devices & Services Business. As Nokia no longer owns this business, this may lead to a reduced level of intellectual property creation or a reduction in the relevance of Nokia's intellectual property to the technology sector. Nokia may also have a diminished ability to influence industry trends and technology selections, reducing the relevance of its intellectual property portfolio.

Additionally, Nokia's intellectual property related revenue could be adversely affected if Nokia is unable to successfully maintain or broaden the scope of licensees or contribute to future innovations and creation of intellectual property. Due to various reasons including those that are set out above, Nokia's intellectual property related revenue can vary considerably from time to time and there is no assurance that past levels are indicative of future levels of intellectual property related revenue.

Nokia Technologies' patent licensing income is dependent on a limited number of key licensees, including Samsung, that contribute proportionally significant patent licensing income.

Nokia enforces its patents against unlawful infringement and generates revenue through realizing the value of Nokia's intellectual property by entering into license agreements and through patent divestment transactions. Patent license agreements can cover both licensees' past and future sales. The portion of the income that relates to licensees' past sales is not expected to have a recurring benefit and ongoing patent income from licensing is generally subject to various factors that Nokia has little or no control over, for instance sales by the licensees. There are no assurances that Nokia's actions to generate intellectual property-related revenue will lead to favorable outcomes, such as patent license agreements on favorable terms to it or that Nokia would be able to use its patent portfolio for revenue generation to a similar extent going forward. While Nokia has various licensees, a significant portion of licensing revenues is generated from a limited number of licensees and, as such, issues, agreement renewal, licensee business performance or bankruptcies affecting these select licensees could have a significant impact on Nokia's revenue. Nokia has mainly focused on licensing its standard-essential patents, but may seek to license other IPR, including implementation patents and other forms of intellectual property. However, there can be no assurances that Nokia will be successful in its effort to broaden the scope of its intellectual property licensing programs.

Samsung is a significant licensee of Nokia. In November 2013, Nokia announced that Samsung has extended a patent license agreement between Nokia and Samsung for five years. The agreement would otherwise have expired at the end of 2013. According to the agreement, Samsung will pay additional compensation to Nokia for the period commencing on January 1, 2014, and the amount of such compensation shall be finally settled in binding arbitration, which is expected to be concluded during 2015. Due to the nature of arbitration proceedings, there can be no assurances as to the final outcome or timing of a final resolution.

Licensing Nokia Technologies' patents or other IPR portfolio and otherwise monetizing Nokia's intellectual property assets rely on adequate regulatory and judicial protection for patented or other proprietary technologies.

Any patents or other IPR that may be challenged, invalidated or circumvented, and any right granted under Nokia's patents may not provide competitive advantages for Nokia. Nokia's ability to protect its intellectual property is dependent on regulatory developments in various jurisdictions and the implementation of the regulations by administrative bodies. Nokia's ability to protect and license its patented innovations varies by region. In the technology sector generally, certain licensees are actively avoiding license payments, and certain licensors are using aggressive methods to collect license payments, both behaviors attracting regulatory attention. Authorities in various countries have started paying increasing attention to the patent licensing and may aim to influence terms on which patent licensing arrangements are executed. Such terms may be limited to a certain country or region, however certain authorities may aim to widen the scope and even impose global terms. Such terms may have an adverse effect on Nokia and limit Nokia's ability to monetize its patent portfolio. As such, regulatory developments, actions by authorities, or applications of regulations may adversely affect Nokia's ability to protect its intellectual property or create intellectual property related revenue.

Intellectual property related disputes and litigation are common in the technology industry and are often used to enforce patents and seek licensing fees. Other companies have commenced and may continue to commence actions seeking to establish the invalidity of Nokia's intellectual property, for example, patent rights. In the event that one or more of Nokia's patents are challenged, a court may invalidate the patent or determine that the patent is not enforceable, which could have an adverse effect on Nokia's competitive position. The outcome of court proceedings is difficult to predict and, as such, Nokia's ability to use intellectual property for revenue generation is at times dependent on favorable court rulings. In addition, if any of Nokia's key patents are invalidated, or if the scope of the claims in any of these patents is limited by a court decision, Nokia could be prevented from using such patents as a basis for product differentiation or from licensing the invalidated or limited portion of its IPR. Even if such a patent challenge is not successful, the related proceedings could be expensive and time-consuming, divert the attention of Nokia's management and technical expert employees from Nokia's business and have an adverse effect on its reputation. Any diminution of the protection that Nokia's own IPR enjoy could cause it to lose some of the benefits of its investments in R&D.

Due to various reasons, including the aforementioned, Nokia Technologies' patent licensing income can be negatively affected by regulatory changes or developments in the trends regarding the protection of IPR, for instance through court rulings. Additionally, if potential licensees to Nokia Technologies operate in markets where the ability of protecting and licensing patented innovations is difficult, Nokia Technologies may not be able to obtain patent licensing income from such companies.

The Nokia Technologies business aims to generate net sales and profitability through business areas such as technology licensing, licensing the Nokia brand and other business ventures including technology innovation and incubation, which may not materialize as planned or at all.

In addition to participating in its current business fields, Nokia Technologies pursues new business opportunities building on Nokia innovations and the Nokia brand. Nokia Technologies develops and licenses various innovations. In addition to patent licensing, Nokia Technologies is focused on generating net sales and profits through technology licensing, licensing proprietary technologies to enable Nokia's customers to build better products, brand licensing to help Nokia's customers leverage the value of the Nokia brand in consumer devices and other business ventures including technology innovation and incubation, focused on developing new ideas and prototypes.

The industries in which Nokia aims to operate are generally fast-paced and innovative industries. The industries are at different levels of maturity, and there can be no assurances that the investments Nokia makes will result in the intended benefits. Nokia's business may require significant investments to innovate and grow successfully. Such investments may include R&D, licensing arrangements, acquiring businesses and technologies, recruiting specialized expertise and partnering with third parties. Such investments may not, however, result in technologies, products or services that achieve or retain broad or timely market acceptance or are preferred by Nokia's customers and consumers. As such, the investments may not be profitable or achieve the targeted rates of return. There can be no assurances that Nokia will be able to identify and understand the key market trends and user segments enabling it to address customers' and consumers' expanding needs in order to bring new innovative and competitive products and services to market in a timely manner. If Nokia is unable to anticipate and respond in a timely manner to these key market trends, or to actively drive future trends through its product development processes, it may not achieve the intended strategic goals of Nokia Technologies.

There can be no assurances as to whether Nokia Technologies will be successful in its efforts at innovation and incubation or in generating net sales and profits through its business plans, for instance in brand licensing and technology licensing.

Risk Factors Relating to the Business and Legal Situation of Alcatel Lucent

Alcatel Lucent's current restructuring program (the "Shift Plan") may not yield intended results, and Alcatel Lucent may not be able to transform itself successfully into a cash generative business.

The goal of the Shift Plan is to transform Alcatel Lucent into an IP and cloud networking and ultra-broadband specialist refocused on innovation, transformation and unlocking growth to become a cash generative business from 2015. The Shift Plan contemplates, among other things, fixed cost savings of EUR 950 million in 2015 compared to Alcatel Lucent's 2012 cost base (at constant exchange rates) and EUR 1 billion of cash generated from 2013 through 2015 as a result of asset dispositions, as well as debt reprofiling by EUR 2 billion and a reduction in overall level of debt by EUR 2 billion. While Alcatel Lucent believes that successful implementation of the Shift Plan is critical to its business and its ability to transform into a cash generative business, Alcatel Lucent's ability to achieve the goals set out in the Shift Plan (described in the section "*Operating and financial review and prospects—Strategy and Outlook*" on pages A-76 to A-78 of Annex A) depends on a number of factors, many of which are beyond its control. These goals are also based on assumptions with respect to the future business environment and/or decisions that are subject to change.

Factors that may prevent a successful implementation of the Shift Plan and achievement of the goals underlying the Shift Plan include the following:

- Alcatel Lucent's expectations with respect to market growth, customer demand and other trends in the industry in which Alcatel Lucent operates, as well as its ability to benefit from these trends, may prove to be inaccurate, and changes in the global economy may impact Alcatel Lucent's ability to implement the Shift Plan;

- in a highly competitive market, Alcatel Lucent's ability to successfully develop new and improve existing products, market its products to new or existing customers, enter new markets and otherwise grow its businesses as contemplated may fall short of targets, and Alcatel Lucent may not be able to successfully or completely transform itself into an IP and cloud networking and ultra-broadband specialist within the timeframe contemplated by the Shift Plan;

- organizational changes related to the implementation of the Shift Plan require the alignment and adjustment of resources, systems and tools, which if not completed in a structured manner could impact Alcatel Lucent's ability to achieve goals contemplated by the Shift Plan;

- Alcatel Lucent's projected cost savings and ability to achieve the efficiencies contemplated by the Shift Plan may fall short of its targets or otherwise not occur;

- the costs to effect the initiatives contemplated by the Shift Plan may exceed Alcatel Lucent's estimates, and Alcatel Lucent may not be able to realize the cash inflows Alcatel Lucent target under the Shift Plan, including if disposals expected in connection with the Shift Plan do not yield the level of net proceeds expected;

- Alcatel Lucent's costs savings initiatives, including in research and development, may negatively affect its ability to develop new or improve existing products and compete effectively in certain markets, and there is no guarantee that Alcatel Lucent will continue to be able to successfully innovate or remain technologically competitive within the key markets contemplated by the Shift Plan;

- Alcatel Lucent may not be able to successfully monetize its patent portfolio, as a result of changing technologies or otherwise;

- Alcatel Lucent may not realize the benefits of the Shift Plan through the end of 2015, and Alcatel Lucent may not realize such benefits until after 2015 or at all;

- many of the initiatives Alcatel Lucent is contemplating require Alcatel Lucent to inform and consult with employees and labor representatives, and such processes may influence the timing, costs, extent of expected savings and even the feasibility of certain of the initiatives contemplated by the Shift Plan; and

- some skilled employees may leave Alcatel Lucent Group in connection with the initiatives contemplated by the Shift Plan, and loss of their expertise may limit Alcatel Lucent's ability to achieve the goals contemplated by the Shift Plan.

While Alcatel Lucent intends to implement the Shift Plan, there can be no assurance that Alcatel Lucent will be able to do so successfully or that Alcatel Lucent will realize the projected benefits and other cost saving initiatives. In addition, there can be no assurance that the Shift Plan will not change in the future if the management team determines to make such changes. Any changes in the Shift Plan may decrease Alcatel Lucent's ability to realize the projected benefits or cost savings of the Shift Plan on the time line contemplated by it.

If Alcatel Lucent is unable to realize the projected benefits or cost savings contemplated by the Shift Plan, it may negatively impact its reputation or have a material adverse effect on its business, financial condition, results of operations and cash flows. Moreover, the continued efforts to implement the Shift Plan and the cost saving initiatives may divert management attention from the rest of the business and adversely affect its business.

The telecommunications industry fluctuates and is affected by many factors, including the economic environment, decisions by service providers and other customers that buy Alcatel Lucent's products and services regarding their deployment of technology and their timing of purchases and roll-out, as well as demand and spending for communications services by businesses and consumers.

Spending trends in the global telecommunications industry were mixed in 2014 where the continued growth in smartphone penetration, mobile data and all-IP network transformation led to increased spending in IP and ultra-broadband access technologies, including certain regional growth in 4G LTE wireless technologies, mainly the United States and China, while other regions and countries such as Europe started to show signs of improvement as the year came to an end. Actual market conditions could be very different from what Alcatel Lucent expects and is planning for due to the uncertainty that exists about the recovery in the global economy. Moreover, market conditions could vary geographically and across different technologies, and are subject to substantial fluctuations. Conditions in the specific industry segments in which Alcatel Lucent participates may be weaker than in other segments. In that case, the results of Alcatel Lucent's operations may be adversely affected.

If capital investment by service providers and other customers that buy Alcatel Lucent's products and services is weaker than Alcatel Lucent anticipates, Alcatel Lucent's revenues and profitability may be adversely affected. The level of demand by service providers and other customers that buy Alcatel Lucent's products and services can change quickly and can vary over short periods of time, including from month to month. As a result of the uncertainty and variations in the telecommunications industry, accurately forecasting revenues, results and cash flow remains difficult.

In addition, Alcatel Lucent's sales volume as well as product and geographic mix will affect Alcatel Lucent's gross margin. Therefore, if reduced demand for Alcatel Lucent's products results in lower than expected sales volume, or if Alcatel Lucent has an unfavorable product or geographic mix, Alcatel Lucent may not achieve the expected gross margin, resulting in lower than expected profitability. These factors may fluctuate from quarter to quarter.

Alcatel Lucent's business requires a significant amount of cash, and Alcatel Lucent may require additional sources of funds if its sources of liquidity are unavailable or insufficient to fund its operations.

Alcatel Lucent's working capital requirements and cash flows historically have been, and they are expected to continue to be, subject to quarterly and yearly fluctuations, depending on a number of factors. If Alcatel Lucent is unable to manage fluctuations in cash flow, its business, operating results and financial condition may be materially adversely affected. Factors which could lead Alcatel Lucent's to suffer cash flow fluctuations include:

- the level of sales and profitability;

- the effectiveness of inventory management;

- the collection of receivables and the payment terms variations;

- the timing and size of capital expenditures;
- costs associated with potential restructuring actions; and
- customer credit risk.

Over time, Alcatel Lucent may derive its capital resources from a variety of sources, including the generation of positive cash flow from ongoing operations, proceeds from asset sales, the issuance of debt and equity in various forms and credit facilities, including its EUR 504 million revolving credit facility which was undrawn as of December 31, 2014. Alcatel Lucent's ability to continue to draw upon these resources is dependent upon a variety of factors, including its customers' ability to make payments on outstanding accounts receivable, who may ask for extended payment terms during the year; the perception of Alcatel Lucent's credit quality by lenders and investors; the debt and equity market conditions generally, and Alcatel Lucent's compliance with the terms of its debt indentures. Given current conditions, access to the debt and equity markets may not be relied upon at any given time. Based on Alcatel Lucent's current view of its business and capital resources and the overall market environment, Alcatel Lucent believes it has sufficient resources to fund its operations for the next twelve months. If, however, the business environment were to materially worsen, or the credit markets were to limit Alcatel Lucent's access to bid and performance bonds, or Alcatel Lucent's customers were to dramatically pull back on their spending plans, Alcatel Lucent's liquidity situation could deteriorate. If Alcatel Lucent cannot generate sufficient cash flow from operations to meet cash requirements in excess of its current expectations, Alcatel Lucent might be required to obtain supplemental funds through additional operating improvements or through further recourse to external sources, such as capital market proceeds, asset sales or financing from third parties, beyond those funds already obtained or contemplated to be obtained through the implementation of the Shift Plan. Alcatel Lucent cannot provide any assurance that such funding will be available on terms satisfactory to Alcatel Lucent. If Alcatel Lucent were to incur higher levels of debt, this would require a larger portion of its operating cash flow to be used to pay principal and interest on its indebtedness. The increased use of cash to pay indebtedness could leave Alcatel Lucent with insufficient funds to finance its operating activities, such as Research and Development expenses and capital expenditures, which could have a material adverse effect on its business.

Alcatel Lucent's ability to have access to the capital markets and Alcatel Lucent's financing costs is, in part, dependent on Standard & Poor's, Moody's or similar agencies' ratings with respect to its debt and corporate credit and their outlook with respect to its business. Alcatel Lucent's current short-term and long-term credit ratings, as well as any possible future lowering of its ratings, may result in higher financing costs and reduced access to the capital markets. Alcatel Lucent cannot provide any assurance that it credit ratings will continue to be sufficient to give Alcatel Lucent access to the capital markets on acceptable terms, or that such credit ratings will not be reduced by Standard & Poor's, Moody's or similar rating agencies.

Credit and commercial risks and exposures could increase if the financial condition of Alcatel Lucent's customers declines.

A substantial portion of Alcatel Lucent's sales are to customers in the telecommunications industry. Some of these customers require their suppliers to provide extended payment terms, direct loans or other forms of financial support as a condition to obtaining commercial contracts. Alcatel Lucent has provided and in the future it expects that it will provide or commit to provide financing where appropriate for its business. Alcatel Lucent's ability to arrange or provide financing for its customers will depend on a number of factors, including its credit rating, its level of available credit, and its ability to sell off commitments on acceptable terms. More generally, Alcatel Lucent expects to routinely enter into long-term contracts involving significant amounts to be paid by its customers over time. Pursuant to these contracts, Alcatel Lucent may deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and Alcatel Lucent's commercial risk exposure under long-term contracts, Alcatel Lucent's business could be adversely affected if the financial condition of its customers erodes. In the past, certain of its customers have sought protection under the bankruptcy or reorganization laws of the applicable jurisdiction, or have experienced financial difficulties. Alcatel Lucent cannot predict how that situation may evolve in 2015, when Alcatel Lucent expects uncertain economic conditions to continue. Upon the financial failure of a customer, Alcatel Lucent may experience losses on credit extended and loans made to such customer, losses relating to its commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to Alcatel Lucent, Alcatel Lucent may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact Alcatel Lucent's results of operations and financial position.

Alcatel Lucent's financial condition and results of operations may be harmed if Alcatel Lucent does not successfully reduce market risks, including through the use of derivative financial instruments.

Since Alcatel Lucent conducts operations throughout the world, a substantial portion of its assets, liabilities, revenues and expenses are denominated in various currencies other than the euro and the U.S. dollar. Because Alcatel Lucent's financial statements are denominated in euros, fluctuations in currency exchange rates, especially the U.S. dollar, or currencies linked to the U.S. dollar, against the euro, could have a material impact on Alcatel Lucent's reported results on a quarterly or annual basis. Alcatel Lucent also experiences other market risks, including changes in interest rates and in prices of marketable securities that Alcatel Lucent owns. Alcatel Lucent may use derivative financial instruments to reduce certain of these risks. If Alcatel Lucent's strategies to reduce market risks are not successful, its financial condition and operating results may be harmed.

An impairment of other intangible assets or goodwill would adversely affect Alcatel Lucent's financial condition or results of operations.

Alcatel Lucent has a significant amount of goodwill and intangible assets, including acquired intangibles, development costs for software to be sold, leased or otherwise marketed and internal use software development costs, notably in connection with the combination between Alcatel and Lucent. Goodwill and intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, or more often, if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever events such as product discontinuances, plant closures, product dispositions or other changes in circumstances indicate that the carrying amount may not be wholly recoverable.

Historically, Alcatel Lucent has recognized significant impairment charges due to various reasons, including some of those noted above as well as restructuring actions such as the Shift Plan or adverse market conditions that are either specific to Alcatel Lucent or the broader telecommunications industry or more general in nature.

More details on past impairment charges can be found in Note 2c to Alcatel Lucent's consolidated financial statements for the financial year ended December 31, 2014 on page A-214 of Annex A.

If any material unfavorable change in any of the key assumptions used to determine the recoverable value of Alcatel Lucent's Product Divisions, notably those derived from the Shift Plan, as described in the section "*Presentation of Financial Information—Critical Accounting Policies*" on page A-53 of Annex A, were to occur, additional impairment charges may be incurred in the future that could be significant and that could have an adverse effect on Alcatel Lucent's results of operations or financial condition.

Alcatel Lucent operates in a highly competitive industry with many participants. Alcatel Lucent's failure to compete effectively would harm its business.

Alcatel Lucent operates in a highly competitive environment in each of its businesses, competing on the basis of product offerings, technical capabilities, quality, service and pricing. Competition for new service provider and enterprise customers as well as for new infrastructure deployments is particularly intense and increasingly focused on price. Alcatel Lucent offers customers and prospective customers many benefits in addition to competitive pricing, including strong support and integrated services for quality, technologically-advanced products; however, in some situations, Alcatel Lucent may not be able to compete effectively if purchasing decisions are based solely on the lowest price.

Alcatel Lucent has a number of competitors, many of which currently compete with Alcatel Lucent and some of which are very large, with substantial technological and financial resources and established relationships with global service providers. Some of these competitors have very low cost structures, which allow them to be very competitive in terms of pricing. In addition, new competitors may enter the industry as a result of acquisitions or shifts in technology. These new competitors, as well as existing competitors, may include entrants from the telecommunications, computer software, computer services and data networking industries. Alcatel Lucent cannot give the assurance that it will be able to compete successfully with these companies. Competitors may be able to offer lower prices, additional products or services or a more attractive mix of products or services, or services or other incentives that Alcatel Lucent cannot or will not match or offer. These competitors may be in a stronger position to respond quickly to new or emerging technologies and may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to customers, prospective customers, employees and strategic partners.

Technology drives Alcatel Lucent's products and services. If Alcatel Lucent fails to keep pace with technological advances in the industry, or if Alcatel Lucent pursues technologies that do not become commercially accepted, customers may not buy Alcatel Lucent's products or use its services.

The telecommunications industry uses numerous and varied technologies and large service providers often invest in several and, sometimes, incompatible technologies. The industry also demands frequent and, at times, significant technology upgrades. Furthermore, enhancing Alcatel Lucent's services revenues requires that Alcatel Lucent develops and maintains leading tools. Alcatel Lucent will not have the resources to invest in all of these existing and potential technologies. As a result, Alcatel Lucent concentrates its resources on those technologies that Alcatel Lucent believes have or will achieve substantial customer acceptance and in which Alcatel Lucent will have appropriate technical expertise. However, existing products often have short product life cycles characterized by declining prices over their lives. In addition, Alcatel Lucent's choices for developing technologies may prove incorrect if customers do not adopt the products that Alcatel Lucent develop or if those technologies ultimately prove to be unviable. Alcatel Lucent's revenues and operating results will depend, to a significant extent, on its ability to maintain a product portfolio and service capability that is attractive to its customers; to enhance its existing products; to continue to introduce new products successfully and on a timely basis and to develop new or enhance existing tools for its services offerings.

The development of new technologies remains a significant risk to Alcatel Lucent, due to the efforts that Alcatel Lucent still needs to make to achieve technological feasibility, due – as mentioned above – to rapidly changing customer markets; and due to significant competitive threats.

Alcatel Lucent's failure to bring these products to market in a timely manner could result in a loss of market share or a lost opportunity to capitalize on new markets for emerging technologies, and could have a material adverse impact on Alcatel Lucent's business and operating results.

Alcatel Lucent depends on a limited number of internal and external manufacturing organizations, distribution centers and suppliers. Their failure to deliver or to perform according to Alcatel Lucent's requirements may adversely affect Alcatel Lucent's ability to deliver its products, services and solutions on time and in sufficient volume, while meeting Alcatel Lucent's quality, safety or security standards.

Alcatel Lucent's manufacturing strategy is built upon two primary sources of production: predominantly, external manufacturing suppliers, and also internal manufacturing locations. When Alcatel Lucent resorts to external manufacturing, the primary owner of inventory, standard manufacturing equipment and common test equipment is the external manufacturer, but in the vast majority of cases Alcatel Lucent owns the custom-made test equipment, which would allow Alcatel Lucent to change manufacturing locations more easily if this became necessary. The manufacturing equipment and common and custom-made test equipment in Alcatel Lucent's internal manufacturing locations are owned by Alcatel Lucent.

Alcatel Lucent's business continuity plans also involve the implementation of a regional sourcing strategy where economically feasible, to ensure there is a supply chain to support and optimize Alcatel Lucent's supply and delivery within the given region. For both Alcatel Lucent's internal and external manufacturing locations such plans include the capability to move to alternate locations for production in case of a disruption at a given facility. In addition, Alcatel Lucent performs audits in all facilities, internal and external, to identify the actions required to reduce its overall business disruption risk.

However, despite the above measures, in the event of a disruptive event Alcatel Lucent may not be able to mitigate entirely the disruption risks for all of its products and, depending on the nature of such event, Alcatel Lucent may be required to prioritize its manufacturing and as a result, the supply of some of its products may be more affected than that of others.

Sourcing strategies are developed and updated annually to identify primary technologies and supply sources used in the selection of purchased components, finished goods, services and solutions. Alcatel Lucent multisources a large number of component and material families that are standard for the industry to the largest extent possible. For a number of components and finished goods families, Alcatel Lucent uses multiple, predefined sources which allow Alcatel Lucent to have access to additional inventories in case of a disruptive event or to satisfy increased end customer demand. On the other hand, supply chain risks may arise with respect to components that are single-sourced or that have a long leadtime for a variety of reasons, such as non-forecasted upside demand, unusual allocation of components to competitors leading to shortages, discontinuance by the supplier, quality problems, etc., that may have an adverse impact on Alcatel Lucent's ability to deliver its products. In addition, for certain specific parts, an alternative source may not be technologically feasible. In addition to the multisource strategy, Alcatel Lucent further seeks to mitigate sourcing disruptions by concentrating the supplier base for new products and for volume production among a group mostly made of "preferred" suppliers who satisfy Alcatel Lucent's requirements. These preferred suppliers are under quality and performance monitoring, and are subject to periodic business review and executive management meetings.

Despite the steps Alcatel Lucent has taken with respect to its manufacturing and sourcing strategies, its business continuity plans and its logistics network, Alcatel Lucent can provide no assurance that such steps will be sufficient to avoid any disruption in the various stages of its supply chain. A disruption in any of those stages may materially adversely affect Alcatel Lucent's ability to deliver its products, services and solutions on time and in sufficient volume, while meeting Alcatel Lucent's quality, safety or security standards.

Alcatel Lucent is in the process of outsourcing a significant portion of its finance and human resources processes and services, increasing Alcatel Lucent's dependence on the reliability of external providers. Interruptions in the availability of these processes and services could have a material adverse impact on the responsiveness and quality of these processes and services that are crucial to Alcatel Lucent's business operations, and on Alcatel Lucent's future ability to adapt to changing business needs.

Due to the customized nature of the services outsourced in the area of finance and human resources, a failure to structure an efficient relationship with the outsourcing company Alcatel Lucent has selected may lead to on-going operational problems or even to severe business disruptions. In addition, as management's focus shifts from a direct to an indirect operational control in these areas, there is a risk that without active management and monitoring of the relationship, the services provided may be below appropriate quality standards. There is the added risk that the outsourcing company may not meet the agreed service levels, in which case, depending on the impacted service, the contractual remedies may not fully cure all of the damages Alcatel Lucent may suffer. This is particularly true for any deficiencies that would impact the reporting requirements applicable to Alcatel Lucent as a company listed on Euronext NYSE in Paris and the NYSE in New York.

In order to implement this outsourcing, changes in Alcatel Lucent's business practices and processes will be required to capture economies of scale and operational efficiencies, and to reflect a different way of doing business. Consequently, business processes that were customized for individual business units or for the Alcatel Lucent Group will be converted to a more standardized format. During the transition to outsourcing, Alcatel Lucent's employees will need to train the outsourcing company's staff or get trained on the outsourcing company's systems, potentially resulting in the distraction of Alcatel Lucent's human resources. Adjustments to staff size and transfer of employees to the outsourcing companies could impact morale and raise complex labor law issues, which Alcatel Lucent would seek to address, but the adverse effects of which might impact the business case for this outsourcing. If inadequately handled, the transition may result in the loss of certain personnel who are highly skilled and familiar with Alcatel Lucent's practices and requirements.

There is also a risk that, in spite of Alcatel Lucent's independent validation of the control procedures, Alcatel Lucent may not be able to determine whether controls have been effectively implemented, and whether the outsourcing company's performance monitoring reports are accurate. Concerns equally could arise from giving third parties access to confidential data, strategic technology applications, and the books and records of the Alcatel Lucent Group.

In the longer term, this type of organization potentially creates a dependency on the outsourcing company. This dependency may increase over time, since Alcatel Lucent's ability to learn from day-to-day responsibilities and hands-on experience, and from responding to changing business needs, may be diminished.

Although Alcatel Lucent has selected a reputable company to provide the outsourced finance and HR services, and is working closely with it to identify risks and implement measures to minimize them, Alcatel Lucent cannot give assurances that the availability of the processes and services upon which Alcatel Lucent rely will not be interrupted, which could result in a material adverse impact on Alcatel Lucent's business operations, in particular during the transition phase. Recurring performance problems may result in missed reporting deadlines, financial losses, missed business opportunities and reputational concerns. Alcatel Lucent has made significant progress in the transition of these services, and to-date have not experienced any issue with respect to the continuation of service.

Information system risks, data protection breaches, cyberattacks and industrial espionage may result in unauthorized access to or modification, misappropriation or loss of, the intellectual property and confidential information that Alcatel Lucent owns or that has been entrusted to Alcatel Lucent by third parties as well as interruptions to the availability of Alcatel Lucent's systems or the systems that Alcatel Lucent manages for third parties.

Valuable intellectual property essential to Alcatel Lucent's business operations and competitiveness, as well as other confidential and proprietary information (Alcatel Lucent's own and that of customers, suppliers and other third parties including Alcatel Lucent's customers' end user customers) are stored in or accessible through Alcatel Lucent's information systems, a large part of which is managed by a third party to whom Alcatel Lucent has outsourced a significant portion of its IT operations, as well as through the network and information systems that Alcatel Lucent manages for or sell to third parties or for whose security and reliability Alcatel Lucent may otherwise be accountable. Unauthorized access to or modification, misappropriation or loss of, such information could have a material adverse impact on Alcatel Lucent's business and results of operations. As Alcatel Lucent expands its use of cloud-based providers and services, the amount of information outside of Alcatel Lucent's direct control increases, resulting in increasing risk. Also, increased business activities such as divestitures, outsourcing and downsizing raises the likelihood that critical information could be compromised by external or internal factors.

Unauthorized third parties have targeted Alcatel Lucent's information systems, using sophisticated attempts, referred to as advanced persistent threats, "phishing" and other attacks. Such attempts to access Alcatel Lucent's information systems have been successful on one occasion in 2013 and, as the overall number of attacks grows around the world and more specifically in Alcatel Lucent's industry, on two occasions in 2014. Alcatel Lucent investigated the impact of these attacks. With respect to the attacks in 2013 and 2014, although Alcatel Lucent has no reason to believe that sensitive information was actually compromised, Alcatel Lucent is not in a position to be conclusive, as the investigations showed that some data were extracted. Alcatel Lucent continues to take corrective actions that Alcatel Lucent believes will substantially mitigate the risk that such attacks will materially impact its business or operations, or that of its customers. However, Alcatel Lucent cannot rule out that there may have been other cyber-attacks that have been successful and/or not detected. Alcatel Lucent's business is also vulnerable to theft, fraud, trickery or other forms of deception, sabotage and intentional acts of vandalism by third parties as well as employees.

Alcatel Lucent has procedures in place for responding to known or suspected data breaches. In addition, Alcatel Lucent conducts periodic assessments of its system vulnerabilities and the effectiveness of its security protections and has undertaken and will continue to undertake information security improvement programs itself and in coordination with its suppliers and business partners. Alcatel Lucent is also increasing the resources allocated in this area. However, there is no guarantee that Alcatel Lucent's existing procedures or the improvement programs will be sufficient to prevent future security breaches or cyber attacks. In addition, as Alcatel Lucent has outsourced a significant portion of its information technology operations and other operations, Alcatel Lucent is also subject to vulnerabilities attributable to such third parties. Information technology is rapidly evolving, the techniques used to obtain unauthorized access or sabotage systems change frequently and the parties behind cyber attacks and other industrial espionage are believed to be sophisticated and well funded, and it is not commercially or technically feasible to mitigate all known vulnerabilities in a timely manner or to eliminate all risk of cyber attacks and data breaches. Unauthorized access to or modification, misappropriation or loss of, its intellectual property and confidential information could result in litigation and potential liability to customers, suppliers and other third parties, harm Alcatel Lucent's competitive position, reduce the value of Alcatel Lucent's investment in research and development and other strategic initiatives or damage Alcatel Lucent's brand and reputation, which could materially adversely affect Alcatel Lucent's business, results of operations or financial condition. In addition, the cost and operational consequences of implementing further information system protection measures could be significant. Alcatel Lucent may not be successful in implementing such measures, which could cause business disruptions and be more expensive, time consuming and resource-intensive. Such disruptions could adversely impact Alcatel Lucent's business.

Because Alcatel Lucent's business operations, including those Alcatel Lucent has outsourced, rely on its complex IT systems and networks (and related services), Alcatel Lucent's reliance on the precautions taken by external companies to insure the reliability of its and their IT systems, networks and related services is increasing.

Despite these precautions, Alcatel Lucent's business is susceptible to disruption from IT equipment failure, vandalism, cyber attacks, natural disasters, power outages and other events affecting the IT systems, networks and related services Alcatel Lucent manages, as well as third party systems. Although Alcatel Lucent has selected reputable companies to provide outsourced IT systems and services, and has worked closely with them to identify risks and implement countermeasures and controls, Alcatel Lucent cannot be sure that interruptions will not occur in the availability of the IT systems and services upon which Alcatel Lucent relies, with material adverse impacts on its business operations.

Many of Alcatel Lucent's current and planned products are highly complex and may contain defects or errors that are detected only after deployment in telecommunications networks. If that occurs, Alcatel Lucent's reputation may be harmed.

Alcatel Lucent's products are highly complex, and Alcatel Lucent cannot give the assurance that its extensive product development, manufacturing and integration testing is, or will be, adequate to detect all defects, errors, failures and quality issues that could affect customer satisfaction or result in claims against Alcatel Lucent. As a result, Alcatel Lucent might have to replace certain components and/or provide remediation in response to the discovery of defects in products that have been shipped.

The occurrence of any defects, errors, failures or quality issues could result in cancellation of orders, product returns, diversion of Alcatel Lucent's resources, legal actions by customers or customers' end users and other losses to Alcatel Lucent or to its customers or end users. These occurrences could also result in the loss of or delay in market acceptance of Alcatel Lucent's products, in the loss of sales, or in the need to create provisions, which would harm Alcatel Lucent's business and adversely affect its revenues and profitability. From time to time, Alcatel Lucent has experienced such occurrences.

Rapid changes to existing regulations or technical standards or the implementation of new regulations or technical standards for products and services not previously regulated could be disruptive, time-consuming and costly to Alcatel Lucent.

Alcatel Lucent develops many of its products and services based on existing regulations and technical standards, its interpretation of unfinished technical standards or the lack of such regulations and standards. Changes to existing regulations and technical standards, or the implementation of new regulations and technical standards relating to products and services not previously regulated, could adversely affect Alcatel Lucent's development efforts by increasing compliance costs and causing delay. Demand for those products and services could also decline.

Alcatel Lucent's ten largest customers accounted for 54% of its revenues in the first half of 2015 (among which Verizon, AT&T and Sprint represented 17%, 13% and 6% of Alcatel Lucent's revenues, respectively), and most of its revenues come from telecommunications service providers. The loss of one or more key customers or reduced spending by these service providers, or inability to expand and diversify Alcatel Lucent's customer base to non-service providers could significantly reduce its revenues, profitability and cash flow.

Alcatel Lucent's ten largest customers accounted for 54% of its revenues in the first half of 2015 (among which Verizon, AT&T and Sprint represented 17%, 13% and 6% of Alcatel Lucent's revenues, respectively). As service providers increase in size, it is possible that an even greater portion of Alcatel Lucent's revenues will be attributable to a smaller number of large service providers going forward. Alcatel Lucent's existing customers are typically not obliged to purchase a fixed amount of products or services over any period of time from Alcatel Lucent and usually have the right to reduce, delay or even cancel previous orders, which could impact revenues from one reporting period to the next. Alcatel Lucent, therefore, has difficulty projecting future revenues from existing customers with certainty. Although historically its customers have not made sudden supplier changes, its customers could vary their purchases from period to period, even significantly. Combined with Alcatel Lucent's reliance on a small number of large customers, this could have an adverse effect on its revenues, profitability and cash flow. In addition, Alcatel Lucent's concentration of business in the telecommunications service provider industry makes Alcatel Lucent extremely vulnerable to a downturn or delays in spending in that industry. Although as part of the Shift Plan, Alcatel Lucent is focusing on expanding and diversifying its customer base to new emerging customer segments such as cable service providers, web-scale, large tech enterprises or vertical businesses, which are also investing in carrier-grade networks Alcatel Lucent may not succeed in achieving such expansion and diversification.

Alcatel Lucent has long-term sales agreements with a number of its customers. Some of these agreements may prove unprofitable as Alcatel Lucent's costs and product mix shift over the lives of the agreements.

Alcatel Lucent has entered into long-term sales agreements with a number of its large customers, and Alcatel Lucent expects that it will continue to enter into long-term sales agreements in the future. Some of these existing sales agreements require Alcatel Lucent to sell products and services at fixed prices over the lives of the agreements, and some require, or may in the future require Alcatel Lucent to sell products and services that Alcatel Lucent would otherwise discontinue, thereby diverting its resources from developing more profitable or strategically important products. Since the Shift Plan entails a streamlined set of product offerings, it may increase the likelihood that Alcatel Lucent may have to sell products that it would otherwise discontinue. The costs incurred in fulfilling some of these sales agreements may vary substantially from its initial cost estimates. Any cost overruns that cannot be passed on to customers could adversely affect Alcatel Lucent's results of operations.

Alcatel Lucent has significant international operations and a significant amount of Alcatel Lucent's revenues is earned in emerging markets and regions.

In addition to the currency risks described elsewhere in this section, Alcatel Lucent's international operations are subject to a variety of risks arising out of the economy, the political outlook and the language and cultural barriers in countries where Alcatel Lucent has operations or do business. Alcatel Lucent expects to continue expanding business in emerging markets in Asia, Africa, Middle East, Latin America and Eastern Europe. In many of the countries in these emerging markets, Alcatel Lucent may be faced with several risks that are more significant than in other countries. These risks include economies that may be dependent on only a few products and are therefore subject to significant fluctuations, weak legal systems which may affect Alcatel Lucent's ability to enforce contractual rights, possible exchange controls, international trade restrictions, unstable governments and privatization actions or other government actions affecting the flow of goods and currency. Also, it is possible that political developments in certain countries in the Middle East and North Africa and other countries, may have, at least temporarily, a negative impact on its operations in those countries, with an increased risk of heightened conflicts and terrorism. For this reason, Alcatel Lucent may not be potentially able to enter into, manage or terminate contracts for a particular country or to work in a particular country during a period of time.

Alcatel Lucent Group's U.S. pension and post-retirement benefit plans are large and have funding requirements that fluctuate based on how their assets are invested, the performance of financial markets worldwide, interest rates, assumptions regarding the life-expectancy of covered employees and retirees, medical price increases, and changes in legal requirements. Even if these plans are currently fully funded, they are costly, and Alcatel Lucent's efforts to satisfy further funding requirements or control these costs may be ineffective.

Many former and current employees and retirees of the Alcatel Lucent Group in the U.S. participate in one or more of its major defined benefit pension and welfare benefit plans that provide post-retirement pension, healthcare, and group life benefits. Such defined benefit pension and welfare benefit plans have funding requirements based on a variety of criteria, including asset allocation, performance of financial markets, interest rates, assumptions regarding life expectancy, medical prices, and changes in legal requirements. To the extent that any of the aforementioned criteria or other criteria change, funding requirements of Alcatel Lucent's major defined benefit pension plans may increase. Alcatel Lucent may be unsuccessful in its ability to control costs resulting from the increased funding requirements, and such inability to control costs could materially adversely impact its results of operations or financial position.

Volatility in discount rates and asset values will affect the funded status of Alcatel Lucent's pension plans.

For purposes of calculating Alcatel Lucent's funding requirements for its U.S. pension plans, the U.S. Internal Revenue Code provides a number of methods to use for measuring plan assets and for determining the discount rate to be applied. For measuring plan assets, Alcatel Lucent can choose between the fair market value at the valuation date or a smoothed fair value of assets (based on a prior period of time not to exceed two years, with the valuation date as the last date in the prior period). For determining the discount rate, Alcatel Lucent can opt for the spot discount rate at the valuation date (effectively, the average yield curve of the daily rates for the month preceding the valuation date) or a 24-month average of the rates for each time segment (any 24-month period as long as the 24-month period ends no later than five months before the valuation date). To measure the 2013 funding valuation, Alcatel Lucent selected the two-year asset fair value smoothing method for the U.S. management pension plan and U.S. occupational pension plans. The Moving Ahead for Progress in the 21st Century Act ("MAP-21"), enacted on July 6, 2012 and thereafter modified and extended by The Highway and Transportation Funding Act ("HATFA"), enacted on August 8, 2014, affects U.S. tax-qualified pension plan funding requirements for plans that use time segment interest rates for measuring plan liabilities for regulatory funding purposes. For such plans, MAP-21, as modified and extended by HATFA, stabilizes such interest rates by establishing "corridors" around a 25-year average rate. MAP-21, as modified and extended by HATFA, is applicable to the Alcatel Lucent Group's U.S. management and active occupational pension plans, which use time segment interest rates for purposes of determining regulatory funding requirements, but not to the U.S. inactive occupational pension plan which uses a full yield curve for such purposes. For the U.S. management and active occupational pension plans, MAP-21, as modified and extended by HATFA, increases the interest rates used for regulatory funding purposes. A preliminary assessment of those plans under HATFA suggests no required funding contribution through at least 2017. Although MAP-21, as modified and extended by HATFA, is currently not applicable to the Alcatel Lucent 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.

Pension and post-retirement health plan participants may live longer than has been assumed, which would result in an increase in Alcatel Lucent's benefit obligation.

For pension funding purposes, Alcatel Lucent uses the mortality table issued by the Internal Revenue Service (IRS) which includes fifteen years of projected improvements in life span for active and former employees not yet receiving pension payments, and seven years for retirees receiving payments. For accounting purposes, Alcatel Lucent used the RP-2000 Combined Health Mortality table with Generational Projection based on the U.S. Society of Actuaries Scale AA until September 30, 2014. Starting December 31, 2014, Alcatel Lucent 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 tables determine the period of time over which Alcatel Lucent assumes that benefit payments will be made. The longer the period, the larger the benefit obligation and the amount of assets required to cover that obligation.

To estimate Alcatel Lucent's future U.S. retiree healthcare plan obligations, Alcatel Lucent used the same RP-2000 Combined Health Mortality table with Generational Projection based on the U.S. Society of Actuaries Scale AA that Alcatel Lucent used for pension funding purposes until September 30, 2014. Starting December 31, 2014, Alcatel Lucent similarly 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. As with pension benefits, longer lives of its participants would likely increase its retiree healthcare benefit obligation. Alcatel Lucent cannot be certain that the longevity of its participants in its retiree healthcare plans or pension plans will not exceed that indicated by the mortality tables Alcatel Lucent currently uses, or that future updates to these tables will not reflect materially longer life expectancies.

The new mortality rates (RP-2014 White Collar and Blue Collar) and new mortality improvement scale (MP-2014) were published by the U.S. Society of Actuaries on October 27, 2014. Because at that time the IRS (which oversees regulatory funding requirements for U.S. tax-qualified plans) had already issued its mortality assumptions for the 2015 plan year, the new assumptions are not expected to become effective for regulatory funding purposes before at least the 2016 plan year.

Alcatel Lucent may not be able to fund the healthcare and group life insurance costs of its formerly represented retirees with excess pension assets in accordance with Section 420 of the U.S. Internal Revenue Code.

Alcatel Lucent is currently funding, and expects to continue to fund, its current healthcare and group life insurance costs for retirees who were represented by the Communications Workers of America and the International Brotherhood of Electrical Workers with transfers of excess pension assets from its U.S. inactive occupational pension plan. Excess assets are defined by Section 420 of the U.S. Internal Revenue Code as being those assets in excess of either 120% or 125% of the plan's funding obligation (without the application of MAP-21 or HATFA), depending on the type of transfer selected. Based on current actuarial assumptions and based on the present level and structure of benefits, Alcatel Lucent believes that it can continue to fund healthcare and group life insurance for retirees who were represented by the Communications Workers of America and the International Brotherhood of Electrical Workers through Section 420 transfers from its U.S. inactive occupational pension plan. However, a deterioration in the funded status of that plan could negatively impact Alcatel Lucent's ability to make future Section 420 transfers. Section 420 is currently set to expire on December 31, 2021.

Healthcare cost increases and an increase in the use of services may significantly increase Alcatel Lucent's retiree healthcare costs.

Alcatel Lucent's current healthcare plans cap the subsidy Alcatel Lucent provides to those persons who retired after February 1990 and all future retirees, representing almost half of the retiree healthcare obligation, on a per capita basis. Alcatel Lucent may take steps in the future to reduce the overall cost of its current retiree healthcare plans, and the share of the cost borne by us, consistent with legal requirements and any collective bargaining obligations. However, cost increases may exceed its ability to reduce these costs. In addition, the reduction or elimination of U.S. retiree healthcare benefits by Alcatel Lucent has led to lawsuits against Alcatel Lucent. Any initiatives Alcatel Lucent undertakes to control these costs may lead to additional claims against Alcatel Lucent.

The activities of Alcatel Lucent's Optics division include the installation and maintenance of undersea telecommunications cable networks, and in the course of this activity Alcatel Lucent may cause damage to existing undersea infrastructure, for which Alcatel Lucent may ultimately be held responsible.

Alcatel Lucent's subsidiary Alcatel-Lucent Submarine Networks is an industry leader in the supply of submarine optical fiber cable networks linking mainland to islands, island to island or several points along a coast, with activities now expanding to the supply of broadband infrastructure to oil and gas platforms and other offshore installations. Although thorough surveys, permit processes and safety procedures are implemented during the planning and deployment phases of all of these activities, there is a risk that previously-laid infrastructure, such as electric cables or oil pipelines, may go undetected despite such precautions, and be damaged during the process of laying the telecommunications cable, potentially causing business interruption to third parties operating in the same area and/or accidental pollution. While Alcatel Lucent has in place contractual limitations and maintain insurance coverage to limit its exposure, Alcatel Lucent can provide no assurance that these protections will be sufficient to cover such exposure fully.

Alcatel Lucent is involved in lawsuits which, if determined against Alcatel Lucent, could require Alcatel Lucent to pay substantial damages.

Alcatel Lucent is defendant in various lawsuits including in connection with commercial, intellectual property, environmental and labor matters. Alcatel Lucent cannot predict the extent to which any of the pending or future actions will be resolved in Alcatel Lucent's favor, or whether significant monetary judgments will be rendered against Alcatel Lucent. Any material damages resulting from these lawsuits could adversely affect Alcatel Lucent's profitability and cash flow.

Alcatel Lucent has been, and continues to be, involved in investigations concerning alleged violations of anticorruption laws, and has been, and could again be, subject to material fines, penalties and other sanctions as a result of such investigations.

Anti-corruption laws in effect in many countries prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining new business or maintaining existing business relationships. Certain anti-corruption laws such as the U.S. Foreign Corrupt Practices Act ("FCPA") also require the maintenance of proper books and records, and the implementation of controls and procedures in order to ensure that a company's operations do not involve corrupt payments. Since Alcatel Lucent conducts operations throughout the world, and given that some of its clients are government-owned entities and that its projects and contracts often require approvals from public officials, there is a risk that Alcatel Lucent's employees, consultants or agents may take actions that are in violation of Alcatel Lucent Group's policies and of anti-corruption laws.

In the past, Alcatel Lucent has already experienced actual or alleged violations of anti-corruption laws, including of the FCPA. As a result, Alcatel Lucent had to pay substantial amounts to the SEC in disgorgement of profits and interest, and to the U.S. Department of Justice (the "DOJ") in criminal fines. In 2010, Alcatel Lucent signed a deferred prosecution agreement (the "DPA") with the DOJ, pursuant to which the prosecution for violations of the internal controls and books and records provisions of the FCPA would be deferred for the term of the DPA. Among other things, the DPA contained provisions requiring the engagement of a French anticorruption compliance monitor (the "Monitor"). Alcatel Lucent worked with the Monitor to implement his recommendations, most of which were focused on strengthening the resources dedicated to the compliance organization of Alcatel Lucent Group, and on enhancing and expanding its policies and procedures, including those Alcatel Lucent use when Alcatel Lucent retains third parties (such as distributors and suppliers).

On December 8, 2014, the Monitor submitted his final report and certified that Alcatel Lucent's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-corruption laws within Alcatel Lucent as defined in and required by the DPA. Following receipt of the Monitor's final report, the DOJ filed a motion to dismiss with prejudice the FCPA charges underlying the DPA, which the court granted on February 9, 2015. Refer to "*Information about the Group—History and Development—Highlights of transactions during 2014—Other Matter—FCPA Investigations*" on page A-29 of Annex A.

Alcatel Lucent is also subject to certain other ongoing investigations and proceedings in Costa Rica, France and Nigeria, as described in the section "*Operating and financial review and prospects—Legal Matters*" on pages A-80 to A-82 of Annex A, which may result in further material damages, fines, penalties and other sanctions, and in its inability to participate in certain public procurement contracts in those countries.

In addition, Alcatel Lucent's training and compliance programs, in spite of the enhancements made based on the Monitor's recommendations, may not be sufficient to prevent its employees, consultants or agents from further engaging in activities for which entities of Alcatel Lucent Group or their relevant corporate officers could be held liable under anti-corruption laws. Any further breaches or alleged breaches of such laws could have a material adverse effect on the reputation of Alcatel Lucent Group or on its operations and financial condition.

If Alcatel Lucent fails to protect its intellectual property rights, its business and prospects may be harmed.

Intellectual property rights, such as patents, are vital to Alcatel Lucent's business and developing new products and technologies that are unique is critical to its success. Alcatel Lucent has numerous French, U.S. and foreign patents and numerous pending patents. However, Alcatel Lucent cannot predict whether any patents, issued or pending, will provide Alcatel Lucent with any competitive advantage or whether such patents will be challenged by third parties. Moreover, Alcatel Lucent's competitors may already have applied for patents that, once issued, could prevail over Alcatel Lucent's patent rights or otherwise limit its ability to sell its products. Alcatel Lucent's competitors also may attempt to design around its patents or copy or otherwise obtain and use its proprietary technology. In addition, patent applications currently pending may not be granted. If Alcatel Lucent does not receive the patents that it seeks or if other problems arise with its intellectual property, its competitiveness could be significantly impaired, which would limit its future revenues and harm its prospects.

Alcatel Lucent is subject to intellectual property litigation and infringement claims, which could cause Alcatel Lucent to incur significant expenses or prevent it from selling certain products.

From time to time, Alcatel Lucent receives notices or claims from third parties of potential infringement in connection with products or software. Alcatel Lucent also may receive such notices or claims when Alcatel Lucent attempts to license its intellectual property to others. Intellectual property litigation can be costly and time consuming and can divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. A successful claim by a third party of patent or other intellectual property infringement by Alcatel Lucent could compel Alcatel Lucent to enter into costly royalty or license agreements or force Alcatel Lucent to pay significant damages and could even require Alcatel Lucent to stop selling certain products. Further, if one of its important patents or other intellectual property rights is invalidated, Alcatel Lucent may suffer losses of licensing revenues and be prevented from attempting to block others, including competitors, from using the related technology.

Alcatel Lucent is involved in significant joint ventures and is exposed to problems inherent to companies under joint management.

Alcatel Lucent is involved in significant joint venture companies. The related joint venture agreements may require unanimous consent or the affirmative vote of a qualified majority of the shareholders to take certain actions, thereby possibly slowing down the decision-making process. Alcatel Lucent's largest joint venture, Alcatel Lucent Shanghai Bell Co., Ltd, has this type of requirement. Alcatel Lucent owns 50% plus one share of Alcatel Lucent Shanghai Bell Co., Ltd, the remainder being owned by the Chinese government.

Alcatel Lucent is subject to environmental, health and safety laws that restrict its operations.

Alcatel Lucent's operations are subject to a wide range of environmental, health and safety laws, including laws relating to the use, disposal and clean-up of, and human exposure to, hazardous substances. In the United States, these laws often require parties to fund remedial action regardless of fault. Although Alcatel Lucent believes its aggregate reserves are adequate to cover its environmental liabilities, factors such as the discovery of additional contaminants, the extent of required remediation and the imposition of additional cleanup obligations could cause Alcatel Lucent's capital expenditures and other expenses relating to remediation activities to exceed the amount reflected in its environmental reserves and adversely affect its results of operations and cash flows. Compliance with existing or future environmental, health and safety laws could subject Alcatel Lucent to future liabilities, cause the suspension of production, restrict Alcatel Lucent's ability to utilize facilities or require Alcatel Lucent to acquire costly pollution control equipment or incur other significant expenses.

RESPONSIBILITY FOR THE LISTING PROSPECTUS

Nokia Corporation
Business identity code: 0112038-9
Registered office: Helsinki
Address: Karaportti 3, FI-02610 Espoo, Finland

STATEMENT REGARDING THE LISTING PROSPECTUS

Nokia accepts responsibility for the information included in the Listing Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information set out in this Listing Prospectus is, to the best of its knowledge and understanding, in accordance with the facts and contains no omission likely to affect its import.

All of the information concerning Alcatel Lucent presented in this Listing Prospectus is solely based on publicly available information. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

AVAILABILITY OF THE LISTING PROSPECTUS

This Listing Prospectus is available as of October 26, 2015 in the English language on the website of Nokia at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction.

In addition, this Listing Prospectus in the English language will be available as paper copies on or about October 28, 2015 at the office of Nokia at Karaportti 3, FI-02610 Espoo, Finland, as well as at the reception of Nasdaq Helsinki at Fabianinkatu 14, FI-00100 Helsinki, Finland.

CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires in this Listing Prospectus:

"**2018 OCEANEs**" refer to Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on July 1, 2018.

"**2019 OCEANEs**" refer to Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on January 30, 2019.

"**2020 OCEANEs**" refer to Alcatel Lucent bonds convertible into new Alcatel Lucent Shares or exchangeable for existing Alcatel Lucent Shares due on January 30, 2020.

"**Acquisition**" refers to Nokia's agreement to make an offer to acquire Alcatel Lucent.

"**Alcatel Lucent**" or "**Alcatel Lucent Group**" refers to Alcatel Lucent, a French *société anonyme* incorporated under the laws of France, and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Alcatel Lucent or a particular subsidiary or business unit only, and except that references and matters relating to the shares and share capital of Alcatel Lucent or matters of corporate governance shall refer to the shares, share capital and corporate governance of Alcatel Lucent.

"**Alcatel Lucent ADSs**" refer to Alcatel Lucent American Depositary Shares, each representing one Alcatel Lucent Share.

"**Alcatel Lucent Annual Report**" refers to Alcatel Lucent's annual report on Form 20-F for the year ended December 31, 2014 filed with the SEC on March 24, 2015 together with the additional information presented in Alcatel Lucent's reference document (*document de reference*) for the year ended December 31, 2014 filed with the AMF on March 20, 2015 under No. D. 15-0179.

"**Alcatel Lucent Interim Report**" refers to Alcatel Lucent's report on Form 6-K for the period ended June 30, 2015 furnished with the SEC on August 5, 2015.

"**Alcatel Lucent Securities**" refer collectively to Alcatel Lucent Shares, Alcatel Lucent ADSs and OCEANEs.

"**Alcatel Lucent Shares**" refer to Alcatel Lucent ordinary shares.

"**AMF**" refers to the French stock market authority (*Autorité des marchés financiers*).

"**Combined Company**" refers to Nokia together with Alcatel Lucent after the Completion of the Exchange Offer.

"**Completion of the Exchange Offer**", "**Completion of the U.S. Offer**", "**Completion of the French Offer**" or "**Completion of the subsequent offering period**" refer to settlement and delivery of the Nokia Shares to the holders of Alcatel Lucent Securities in accordance with the terms of the Exchange Offer and Conditions after the announcement of the successful results of the French Offer by the AMF (taking into account the results of the U.S. Offer) or the results of the subsequent offering period, as applicable.

"**Devices & Services Business**" refers to the former Devices & Services Business of Nokia.

"**Exchange Offer**" refers collectively to the U.S. Offer and the French Offer.

"**Form F-4**" refers to a preliminary draft of Nokia's registration statement on Form F-4 filed with the SEC on August 14, 2015, as the same may be amended or supplemented from time to time.

"**French Offer**" refers to Nokia's exchange offer in France to exchange 0.55 Nokia Shares for every Alcatel Lucent Share, and such a number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer, made pursuant to separate French Offer Document available to holders of Alcatel Lucent Shares and OCEANEs located in France.

"**French Offer Document**" refers to the French Offer document filed by Nokia with the AMF, as the same may be amended from time to time.

"**FIN-FSA**" refers to the Finnish Financial Supervisory Authority.

"**HERE transaction**" refers to the agreement by and between Nokia and a consortium of leading automotive companies to sell Nokia's HERE digital mapping and location services business.

"**Listing Prospectus**" refers to the prospectus approved by the Finnish Financial Supervisory Authority.

"**Mandatory Minimum Acceptance Threshold**" refers to a number of Alcatel Lucent Shares representing more than 50% of the Alcatel Lucent share capital or voting rights, taking into account, if necessary, the Alcatel Lucent Shares resulting from the conversion of the OCEANEs validly tendered into the Exchange Offer. Refer to "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*" for a description of how the Mandatory Minimum Acceptance Threshold is calculated.

"**Memorandum of Understanding**" or "**MoU**" refers to the Memorandum of Understanding dated April 15, 2015 between Nokia and Alcatel Lucent, as the same may be amended or supplemented from time to time.

"**Minimum Tender Condition**" refers to the number of Alcatel Lucent Securities validly tendered in accordance with the terms of the Exchange Offer representing, on the date of announcement by the AMF of the results of the French Offer taking into account the results of the U.S. Offer, more than 50% of the Alcatel Lucent Shares on a fully diluted basis. Refer to "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*" for a description of how the "fully diluted" Alcatel Lucent Shares will be calculated for the purposes of the Minimum Tender Condition.

"**Nokia**", "**Nokia Corporation**", "**Nokia Group**" or "**Company**" refer to Nokia Oyj and its subsidiaries on a consolidated basis, except where it is clear from the context that the term means Nokia Oyj or a particular subsidiary or business unit only, and except that references and matters relating to the shares and share capital of Nokia or matters of corporate governance shall refer to the shares, share capital and corporate governance of Nokia Oyj.

"**Nokia ADSs**" refer to Nokia American Depositary Shares, each representing one Nokia Share.

"**Nokia Annual Report**" refers to Nokia's annual report on Form 20-F for the fiscal year ended December 31, 2014 filed with the SEC on March 19, 2015.

"**Nokia Interim Report**" refers to Nokia's report on Form 6-K for the period ended June 30, 2015 furnished with the SEC on August 14, 2015.

"**Nokia Shares**" refers to shares of Nokia.

"**Nokia Shareholder Approval**" refers to Nokia shareholders having approved the authorization for the Nokia Board of Directors to issue such number of new Nokia Shares as may be necessary for delivering the Nokia Shares offered in consideration for the Alcatel Lucent Securities tendered into the Exchange Offer and for the Completion of the Exchange Offer.

"**OCEANEs**" refer collectively to the 2018 OCEANEs, the 2019 OCEANEs and the 2020 OCEANEs.

"**Offered Shares**" refer to the new Nokia Shares offered in the Exchange Offer.

“**Schedule TO**” refers to the tender offer statement on Schedule TO, pursuant to which the U.S. Offer is made to all U.S. holders of outstanding Alcatel Lucent Shares, all holders of outstanding Alcatel Lucent ADSs, wherever located, and all U.S. holders of outstanding OCEANEs.

“**SEC**” refers to U.S. Securities and Exchange Commission.

“**U.S. Offer**” refers to Nokia’s exchange offer in the United States to exchange 0.55 Nokia Shares for every Alcatel Lucent Share, 0.55 Nokia ADSs for every Alcatel Lucent ADS, and such a number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer, made pursuant to Schedule TO and the Form F-4.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Statements

Nokia Group's consolidated financial statements for the financial years ended December 31, 2014, 2013 and 2012 as well as the interim report for the six months ended on June 30, 2015 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the EU.

Alcatel Lucent Group's consolidated financial statements for the financial years ended December 31, 2014, 2013 and 2012 as well as the interim report for the six months ended on June 30, 2015 have been prepared in accordance with the IFRS, as adopted by the EU.

Pro Forma Financial Information

Nokia's Unaudited Pro Forma Financial Information (as defined in the section "*Unaudited Pro Forma Condensed Combined Financial Information*") present how Nokia's financial statements may have appeared had the businesses of Nokia and Alcatel Lucent been combined, and had Nokia's capital structure reflected the Completion of the Exchange Offer and had the sale of Nokia's HERE business occurred. The unaudited pro forma condensed combined statement of financial position as of June 30, 2015 gives effect to the Exchange Offer and the sale of Nokia's HERE business as if the completion of such event had occurred on that date. The unaudited pro forma condensed combined income statements for the six months ended June 30, 2015 and year ended December 31, 2014 give effect to the Exchange Offer as if the completion had occurred on January 1, 2014 and presents Nokia's HERE business as a discontinued operation to give pro forma effect to the sale of Nokia's HERE business.

The Unaudited Pro Forma Financial Information reflects the application of pro forma adjustments that are preliminary and are based upon available information and certain assumptions, described in the accompanying notes thereto, that management believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the accompanying selected unaudited pro forma financial information. The Unaudited Pro Forma Financial Information has been prepared by management for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have been realized had the Completion of the Exchange Offer and the proposed sale of Nokia's HERE business occurred as of the dates indicated above, nor is it meant to be indicative of any anticipated financial position or future results of operations that Nokia will experience going forward. In addition, the unaudited pro forma condensed combined income statements do not reflect any expected cost savings, synergies, restructuring actions, non-recurring items or one-time transaction related costs that Nokia expects to incur or generate.

Auditors

The consolidated financial statements of Nokia Group for the financial years ended December 31, 2014, 2013 and 2012 were audited by PricewaterhouseCoopers Oy, Authorized Public Accountants, with Mr. Heikki Lassila, Authorized Public Accountant, appointed as the auditor with the principal responsibility. The interim report for the six months ended on June 30, 2015 as well as the pro forma condensed combined financial information presented in this Listing Prospectus are unaudited.

Alcatel Lucent Group's consolidated financial statements for the financial years ended December 31, 2014, 2013 and 2012 were audited by Deloitte & Associes and Ernst & Young et Autres. The interim report for the six months ended on June 30, 2015 is unaudited.

Other Information

The financial and other information presented in the tables in this Listing Prospectus are rounded. Accordingly, in certain cases the sum of numbers presented in a column or row does not always correspond to the presented total sum of a column or a row. In addition, certain percentual figures are calculated with accurate numbers before rounding, so they do not necessarily correspond to the results that would have been reached, if rounded figures had been used.

In this Listing Prospectus, all references to “euro”, “EUR” and “€” are to the official currency of the member states of the European Union (the “EU”) that adopted the single currency in accordance with the Treaty Establishing the European Economic Community (signed in Rome on March 25, 1957), as amended by the Treaty of European Union signed in Maastricht on February 7, 1992. All references to “U.S. dollar”, “USD” and “$” are to the lawful currency of the United States.

Information Derived from Third Party Sources

Where certain information contained in this Listing Prospectus has been derived from third party sources, such sources have been identified herein. Nokia confirms that such third party information has been accurately reproduced herein and as far as Nokia is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Listing Prospectus contains forward-looking statements that reflect Nokia's current expectations and views of future events and developments. Some of these forward-looking 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", "shall" and similar expressions. These forward-looking statements include statements relating to: the expected characteristics of the Combined Company; the expected ownership of the Combined Company by Nokia and Alcatel Lucent shareholders; the Extraordinary General Meeting of Nokia's Shareholders; Nokia's intention with respect to the redemption of the Nokia Convertible Bond as defined in the section "*Shares and Share Capital—Nokia—Stock Options, Equity Compensation and Other Special Rights Entitling to Shares*"; the nomination and election to the Nokia Board of Directors of candidates nominated jointly by the Corporate Governance and Nomination Committee of the Nokia Board of Directors and by Alcatel Lucent, and their expected compensation arrangement; the target annual run-rate cost synergies for the Combined Company; the expected customer reach of the Combined Company; the expected financial results of Nokia or the Combined Company; the expected announcement of the results and settlement of the Exchange Offer; the expected timing of completion of the proposed transaction and satisfaction of conditions precedent; the subsequent offering period, including its timing and terms and conditions; the redemption of OCEANEs; the squeeze-out of Alcatel Lucent Securities and the related Exchange Option (as defined in the section *"The Alcatel Lucent Transaction—Intentions of Nokia over the Next Twelve Months—Squeeze-out"*); the delisting or deregistration of Alcatel Lucent Securities; payment of interest with respect to the 2018 OCEANEs; Nokia's actions if it acquires less than 95% of the share capital and voting rights of Alcatel Lucent at the Completion of the Exchange Offer or the subsequent offering period, if any; the expected benefits of the proposed transaction, including related synergies; the effect that the Exchange Offer may have on the remaining outstanding Alcatel Lucent Securities; the intentions of Nokia over the next twelve months; competitive developments in the telecommunications sector; other factors or trends affecting the telecommunications sector generally; the transaction timeline, including the timing of the General Meeting of Nokia's Shareholders; expected governance structure of Nokia after the Completion of the Exchange Offer; the expected retention of key directors and members of management; and the HERE transaction. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Nokia's control, which could cause actual results to differ materially from such statements. These forward-looking statements are based on Nokia's beliefs, assumptions and expectations of future performance, taking into account the information currently available to Nokia. These forward-looking statements are only predictions based upon Nokia'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. Risks and uncertainties include:

- the ability of Nokia to integrate Alcatel Lucent into Nokia operations;
- reliance on public information regarding Alcatel Lucent;
- regulatory and market conditions impacting the Exchange Offer and the subsequent offering period, if any;
- the potential adverse tax consequences resulting from a change of ownership of Alcatel Lucent;
- the performance of the global economy;
- the level of available financing in light of uncertain market conditions;
- failure to complete the squeeze-out adversely affecting the market value of Nokia Shares and the ability to realize benefits of the proposed transaction;
- the impact of the HERE transaction;
- the receipt of regulatory approval for the HERE transaction;
- the impact on the Combined Company (after giving effect to the proposed transaction with Alcatel Lucent) of any of the foregoing risks or forward-looking statements, as well as other risk factors listed from time to time in Nokia's and Alcatel Lucent's filings with the SEC.

The forward-looking statements should be read in conjunction with the other cautionary statements that are included elsewhere, including the section "*Risk Factors*" of this Listing Prospectus, Nokia Annual Report, Alcatel Lucent Annual Report, Nokia Interim Report, Alcatel Lucent Interim Report and any other documents that Nokia or Alcatel

Lucent have released through their respective stock exchanges. 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 Nokia will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Nokia or Nokia's business or operations. Except as required by law, Nokia undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

EXCHANGE RATES

The following tables set forth, for the periods indicated, information concerning the exchange rates between the euro and the U.S. dollar based on the noon buying rate for cable transfers as certified by the Federal Reserve Board of New York (the "Noon Buying Rate"). Such rates are provided solely for the reader's convenience and are not necessarily the rates used by Nokia or Alcatel Lucent in the preparation of their financial statements or otherwise. No representation is made that euro amounts have been, could have been or could be converted into U.S. dollars at the rates indicated below, or at all.

	Average ($)	**High ($)**	**Low ($)**	**Period End ($)**
Year ended December 31, 2010	1.3216	1.4536	1.1959	1.3269
Year ended December 31, 2011	1.4002	1.4875	1.2926	1.2973
Year ended December 31, 2012	1.2909	1.3463	1.2062	1.3186
Year ended December 31, 2013	1.3303	1.3816	1.2774	1.3779
Year ended December 31, 2014	1.3210	1.3927	1.2101	1.2101
Six months ended June 30, 2015	1.1090	1.2015	1.0524	1.1154

	High ($)	**Low ($)**
April 2015	1.1174	1.0582
May 2015	1.1428	1.0876
June 2015	1.1404	1.0913
July 2015	1.1150	1.0848
August 2015	1.1580	1.0868
September 2015	1.1358	1.1104

THE ALCATEL LUCENT TRANSACTION

All statements in this section regarding the competitive position of Nokia or the Combined Company are based on the view of Nokia's management unless otherwise explicitly stated.

Background of the Exchange Offer

On April 15, 2015, Nokia and Alcatel Lucent entered into the Memorandum of Understanding pursuant to which and subject to its terms and conditions, Nokia is offering to acquire all of the Alcatel Lucent Securities through the Exchange Offer. In the Exchange Offer, Alcatel Lucent Securities will be exchanged for Nokia Shares or Nokia ADSs with an exchange ratio of 0.55 Nokia Shares for every Alcatel Lucent Share, 0.55 Nokia ADSs for every Alcatel Lucent ADS and such a number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer in each case validly tendered into the Exchange Offer. The Exchange Offer is comprised of the U.S. Offer and the French Offer. The Exchange Offer is expected to be launched and completed in the fourth quarter 2015 or the first half of 2016.

Reasons for the Exchange Offer

Nokia believes that the combination of Nokia's and Alcatel Lucent's businesses will create significant value for stakeholders of both companies. Following the Completion of the Exchange Offer, Nokia will be well-positioned to create the foundation of seamless connectivity for people and things wherever they are. Nokia believes that this foundation is essential for enabling the next wave of technological change, including the Internet of Things and transition to the cloud.

The strategic rationale for combining the two companies includes:

- creation of end-to-end portfolio scope and scale player with leading global positions across products, software and services to meet changing industry paradigms;
- complementary offerings, customers and geographic footprint;
- enhanced research and development capabilities creating an innovation powerhouse with significant combined R&D resources;
- the recent execution track-record on both sides and common vision for the future;
- the opportunity to realize significant cost savings and other synergies; and
- the development of a robust capital structure and strong balance sheet.

End-to-end Portfolio Scope and Scale Player with Leading Global Positions Across Products, Software and Services to Meet Changing Industry Paradigms

The driver of the changes Nokia is seeing in the world around us and the demands being placed on the networks of the future are increasingly complex. Demand for seamless and ubiquitous access is combining with ever-increasing requirements for network analytics and network intelligence. Nokia believes that this is requiring broader, deeper, and more sophisticated end-to-end capabilities, which very few companies can offer.

The growing complexity of product demands are set against a number of other shifting industry paradigms. Customer consolidation has been ongoing for a number of years now and has created fewer, larger players with broader global needs. Convergence is happening rapidly across both fixed and mobile, as well as IP and cloud. Virtualization is leading to increased network efficiency and scalability. Furthermore, web scale companies and certain large enterprise verticals are growing as a customer base for carrier-grade technologies

Combining Nokia with Alcatel Lucent will bring together the complementary capabilities of both companies with an end-to-end portfolio of software, services and products, which will be weighted towards next-generation technologies enabling Nokia to provide better solutions to customers and access new opportunities in an expanded, addressable market.

Following the Completion of the Exchange Offer, the Combined Company is expected to be a leader in technologies such as fixed broadband, LTE, IP routing, cloud applications and advanced analytics, positioning the company as either the number one or two player in most key business areas. Nokia expects to have the scale to service the very largest global multinational customers with a broader range of products, software and services across a wider geographic footprint, which Nokia believes will make Nokia the strategic partner of choice for the long term. Nokia believes that the Exchange Offer provides a very compelling path to achieving and accelerating the long term strategies vision that Nokia has laid out in its 10-year strategy to be a global technology leader in the Programmable World.

Complementary Offerings, Customers and Geographic Footprint

The Exchange Offer brings together two businesses which Nokia believes have highly complementary portfolios and geographies, bringing together the best of fixed and mobile, IP routing, core networks, cloud applications and services. Together, Nokia and Alcatel Lucent will have particular strength in the United States, China, Europe and Asia-Pacific. Nokia believes that the Combined Company will be positioned to target a larger addressable market with an improved growth profile. Based on Nokia and Alcatel Lucent's estimates, the addressable market of the Combined Company in 2014 was approximately 50% larger than the current addressable networks market for Nokia alone, increasing from approximately EUR 84 billion to approximately EUR 130 billion. Based on Nokia's internal estimates, the Combined Company is expected to have a stronger growth profile than Nokia's current addressable market, and Nokia estimates, based on their internal data, that the addressable market of the Combined Company would enjoy a Compound Annual Growth Rate ("CAGR") of approximately 3.5% for 2014–2019.

Based on Nokia's and Alcatel Lucent's revenues for the year ended December 31, 2014, the share of revenues of the Combined Company generated in North America would have amounted to 30% (Nokia: 15%; Alcatel Lucent: 44%), in Europe 27% (Nokia: 31%; Alcatel Lucent: 23%), in Asia-Pacific/Japan/India 18% (Nokia: 26%; Alcatel Lucent: 10%), in Greater China 11% (Nokia: 11%; Alcatel Lucent: 10%), Middle East & Africa 8% (Nokia: 9%; Alcatel Lucent: 8%) and Latin America 7% (Nokia: 8%; Alcatel Lucent: 5%). The revenues of the Combined Company have been calculated by adding the respective Nokia and Alcatel Lucent country revenue amounts together. These combined revenue amounts should not be substituted for pro forma information presented elsewhere in this Listing Prospectus as this information has not been prepared on the same basis.

Enhanced Research and Development Capabilities Creating an Innovation Powerhouse with Significant Combined R&D Resources

The Combined Company will have significant innovation capabilities, with Alcatel Lucent's Bell Labs and Nokia's FutureWorks, as well as Nokia Technologies. The latter is expected to stay as a separate entity with a clear focus on licensing and the incubation of new technologies.

With more than 40 000 research and development employees, of which over 30 000 are software engineers, and combined 2014 research and development spending of EUR 4.7 billion, the Combined Company will be well positioned to accelerate development of future technologies including 5G, IP and software-defined networking, cloud and analytics, as well as digital health and digital media, bringing significant benefits to its customers.

The Recent Execution Track-record on Both Sides and Common Vision for the Future

Nokia believes that both companies are in a far better position to combine at this point in time and the combination is being conducted from a position of strength. Both companies have recently improved their operational efficiency and agility through significant restructurings, Nokia has purchased Siemens share of Nokia Siemens Network, divested substantially all of its Devices & Services Business to Microsoft and has announced the pending disposal of Nokia's HERE digital mapping and location services business, while Alcatel Lucent is coming to the end of the Shift Plan.

Through its restructuring program, Nokia became a leader in Mobile Broadband while strengthening its financial position and having achieved one of the industry-leading profitabilities. Similarly, Alcatel Lucent has rebuilt its capital base through refinancings and divestments and refocused on IP Networking, Cloud and Ultra Broadband, leading to

Alcatel Lucent's improvement in profitability and free cash flow. Nokia expects to build on these learnings to make the expected integration of Nokia and Alcatel Lucent as seamless as possible.

Both companies share a common vision for the future, and believe that this transaction is the next logical step of the companies' successful transformations and at the right time for both companies. Following the Completion of the Exchange Offer, Nokia is expected to be well positioned to create the foundation of seamless connectivity which Nokia believes is essential for enabling the next wave of technological change in Nokia's industry.

The Opportunity to Realize Significant Cost Savings and Other Synergies

The Combined Company would target approximately EUR 900 million of operating cost synergies to be achieved on a full year basis in 2019, assuming Completion of the Exchange Offer no later than the end of the first half of 2016. The operating cost synergies are expected to create a long-term structural cost advantage, coming from a wide range of areas, including:

- organizational streamlining, rationalization of overlapping products and services, central functions, and regional and sales organizations;
- reduction of various overhead costs in real estate, manufacturing and supply-chain, information technology and overall general and administrative expenses, including redundant public company costs;
- procurement given expanded purchasing requirements of the Combined Company; and
- R&D efficiencies, particularly in wireless.

The Combined Company would also target approximately EUR 200 million of reductions in interest expenses to be achieved on a full-year basis in 2017. The transaction is expected to be accretive to Nokia earnings on a non-IFRS basis (excluding restructuring charges and amortization of intangibles) in 2017. These targets both assume Completion of the Exchange Offer no later than the end of the first half of 2016.

The Development of a Robust Capital Structure and Strong Balance Sheet

The Combined Company will benefit from enhanced financial resources for growth and investment purposes. The Combined Company is expected to have a strong balance sheet, which will support Nokia's ambition to re-establish its long-term investment-grade rating. Assuming conversion of all OCEANEs and completion of the sale of Nokia's HERE business, the pro forma net cash position of the Combined Company at June 30, 2015 would have been EUR 8.1 billion and pro forma cash and cash equivalents of the Combined Company at June 30, 2015 would have been EUR 10.5 billion. Net cash is a non-IFRS financial measure. Refer to "*Unaudited Pro Forma Condensed Combined Financial Information*" for a description of how Nokia defines and calculates net cash. Following the Completion of the Exchange Offer, Nokia intends to evaluate the resumption of a capital structure optimization program for the Combined Company, and remains committed to having an efficient capital structure.

Reasons for the Alcatel Lucent Board of Directors' View on the Exchange Offer

Information on the reasons for the Alcatel Lucent's Board of Directors' view on the Exchange Offer will be described in Alcatel Lucent's French response document, as amended or supplemented from time to time, once approved by the AMF and in Alcatel Lucent's Solicitation/Recommendation Statement on Schedule 14D-9, which will be filed by Alcatel Lucent with the SEC following the commencement of the Exchange Offer and will be made available on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction.

Opinion of the Financial Advisor to the Alcatel Lucent Board of Directors

Information on the opinion of the financial advisor to Alcatel Lucent's Board of Directors (in particular, concerning Alcatel Lucent Board Recommendation, as defined in the section "*Memorandum of Understanding—Alcatel Lucent Board Recommendation and Related Matters*") will be described in Alcatel Lucent's Solicitation/Recommendation Statement on Schedule 14D-9, which will be filed by Alcatel Lucent with the SEC following the commencement of the Exchange Offer and will be made available on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction.

Nokia Shareholder Meeting

The Nokia Board of Directors resolved on October 22, 2015 to convene an Extraordinary General Meeting of Nokia Shareholders to consider and vote on the resolution to approve the authorization for the Nokia Board of Directors to issue such number of new Nokia Shares as may be necessary for delivering the Nokia Shares offered in consideration for the Alcatel Lucent Securities tendered into the Exchange Offer and for the Completion of the Exchange Offer (the "Nokia Shareholder Approval") and the election of Louis R. Hughes, Jean C. Monty and Olivier Piou to the Nokia Board of Directors. Elizabeth Doherty will step down from the Nokia Board of Directors subject to and following the Completion of the Exchange Offer. The Corporate Governance and Nomination Committee will propose to the Board of Directors at the assembly meeting of the new Board of Directors taking place after the Completion of the Exchange Offer that Olivier Piou be elected as the new Vice Chairman of the Board of Directors, subject to his election to the Board. Risto Siilasmaa will continue as the Chairman of the Board of Directors.

The Extraordinary General Meeting is currently scheduled for December 2, 2015. Proxy materials related to the Extraordinary General Meeting have been separately made available by Nokia. Note that Nokia is not asking readers for any proxies based on this Listing Prospectus and requests that readers do not send any proxies to Nokia in response to this Listing Prospectus.

The resolution contemplated by the Nokia Shareholder Approval must be approved by shareholders representing at least two-thirds of the votes cast and Nokia Shares represented at the Extraordinary General Meeting. Nokia's obligation to accept, and to exchange, any Alcatel Lucent Securities validly tendered into and not withdrawn from the Exchange Offer is subject to, among other Conditions (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*"), receipt of the Nokia Shareholder Approval.

On October 22, 2015, the Nokia Board of Directors determined, subject to its fiduciary duties under applicable law and the terms and conditions of the Memorandum of Understanding, to recommend that the Nokia shareholders vote in favor of the resolution presented to them to approve the authorization for the Nokia Board of Directors to issue such number of new Nokia Shares as may be necessary for delivering the Nokia Shares offered in consideration for the Alcatel Lucent Securities tendered into the Exchange Offer and the appointment of the three members of the Nokia board of directors identified jointly by the Corporate Governance & Nomination committee of the Nokia board of directors and by Alcatel Lucent, in each case subject to the Completion of the Exchange Offer.

In accordance with the Memorandum of Understanding, the Corporate Governance & Nomination Committee of the Nokia Board of Directors and Alcatel Lucent have jointly identified Louis R. Hughes, Jean C. Monty and Olivier Piou as nominees to the Nokia Board of Directors. The election of these director nominees would be subject to a Completion of the Exchange Offer. The election of each director nominee at the Extraordinary General Meeting must be approved by shareholders representing at least a majority of the votes cast at the Extraordinary General Meeting.

Director Nominee Biographies

Name	Year of Birth	Present Principal Occupation and Five-Year Employment History
Louis R. Hughes	1949	Louis R. Hughes has been an independent director, member of the Audit and Finance Committee and member of the Corporate Governance and Nominating Committee of Alcatel Lucent. Mr. Hughes has been the Chairman of InZero Systems since 2005 and member of the Boards of Alcatel Lucent since 2008 and of AkzoNobel since 2007. Mr. Hughes has been an independent director and chairman of the audit, finance and compliance committee of ABB since 2003. Mr. Hughes was the president & chief operating officer of Lockheed Martin in 2000, executive vice president of General Motors Corporation 1992–2000, president of General Motors International Operations 1992–1998, president of General Motors Europe 1992–1994, Chairman of Adam Opel AG 1989–1992, vice president of

		finance of GM Europe 1987–1989, vice president of finance of GM of Canada 1985–1986, assistant treasurer, General Motors Corporation 1983–1985, Treasurer's Office, General Motors Corporation 1973–1983. Mr. Hughes is a United States citizen.
Jean C. Monty	1947	Jean C. Monty has been an independent director, Vice Chairman of the Board of Directors, Chairman of the Audit and Finance Committee and member of the Corporate Governance and Nominating Committee of Alcatel Lucent. Mr. Monty has been a member of the Board of Alcatel Lucent since 2008. Mr. Monty is a member of the Board, member of the audit committee, chairman of the human resources and compensation committee of Bombardier, member of the Boards of Centria Inc. and of Fiera Capital Inc. Mr. Monty is also a member of the International Advisory Board of the Ecole des Hautes Études Commerciales. Mr. Monty was the chairman of the Board and CEO of Bell Canada Enterprises (BCE Inc.) until 2002. Mr. Monty was president and chief executive officer of Nortel Networks Corporation since 1993 and held numerous positions in the BCE group 1974–1992. Mr. Monty is a citizen of Canada.
Olivier Piou	1958	Olivier Piou has been an independent director and a member of the Board of Alcatel Lucent since 2008. Mr. Piou has been the Chief Executive Officer and director of Gemalto since 2006. Mr. Piou was a member of the Board of INRIA (Institut National de Recherche en Informatique et en Automatique) and chairman of Eurosmart. Mr. Piou was the Chief Executive Officer of Axalto, the smart card division of Schlumberger from 2004 to 2006, until the merger of Axalto and Gemplus which formed Gemalto, Mr. Piou joined Schlumberger in 1981 as a production engineer and held numerous management positions in the areas of technology, marketing and operations, in France and the United States. Mr. Piou is a citizen of France.

Director Compensation

Nokia's Corporate Governance and Nomination Committee has proposed to the Extraordinary General Meeting that the new members of the Board of Directors elected at the Extraordinary General Meeting receive the same annual remuneration as is paid to the members of the Board of Directors elected at the Annual General Meeting on May 5, 2015, prorated by the new Board members' time in service until the closing of the Annual General Meeting in 2016.

Director Nominee Share Ownership

The following table sets forth the amount of Alcatel Lucent Shares and Alcatel Lucent ADSs owned by each director nominee at the date of the Listing Prospectus to the knowledge of Nokia.

Name	Alcatel Lucent Shares	Alcatel Lucent ADSs
Louis R. Hughes	37 631	N/A
Jean C. Monty	2 465 734	2 600 003
Olivier Piou	34 122	N/A

Director Nominee Related Party Transactions

There have been no material transactions during the last three fiscal years to which any director nominee, or any relative or spouse of any director nominee, was a party. There is no significant outstanding indebtedness owed to Nokia by any director nominee.

Intentions of Nokia over the Next Twelve Months

The following information sets out Nokia's intention with respect to Alcatel Lucent over the twelve month period immediately after a successful Completion of the Exchange Offer or the subsequent offering period, if any.

Following a Completion of the subsequent offering period, if any, for so long as Nokia owns less than 100% of the Alcatel Lucent Securities, its ability to implement its intentions described in this section may be limited by the applicable provisions of French corporate law. In particular, pursuant to French corporate law, any transaction between Alcatel Lucent and Nokia which is neither in the ordinary course nor on an arm's-length basis would be subject to the prior approval of Alcatel Lucent's Board of Directors (with the Nokia-nominated directors unable to vote on the resolution) and would also need to be subsequently ratified by Alcatel Lucent's General Meeting of Shareholders (with Nokia unable to vote on the resolution and Alcatel Lucent Shares held by Nokia excluded from the quorum). However, Nokia, as an Alcatel Lucent shareholder, would be allowed to vote its Alcatel Lucent Shares with respect to any shareholder resolution to merge Alcatel Lucent and Nokia or any of its subsidiaries. Nokia does not currently anticipate that any such limitations would have a significant effect on its ability to implement its intentions over the twelve-month period immediately after the successful Completion of the subsequent offering period, as outlined below.

Industrial, Commercial and Financial Strategy and Policy

If the Exchange Offer is successful, it is expected to create an innovation leader in next generation technology and services for an IP-connected world. The headquarters of the Combined Company would be in Finland with strategic business locations and major R&D centers in France, as well as other countries including Germany, the United States and China. The strategic goal of the combination is to create a Combined Company with an end-to-end portfolio scope and scale and leading global positions across next generation network technologies and services.

Nokia believes that Nokia and Alcatel Lucent have highly complementary assets, technologies and portfolios, bringing together fixed and mobile broadband, IP routing, core networks, cloud applications and services, as well as complementary geographical exposures, with particular strength in the United States, China, Europe and Asia-Pacific.

The combination is expected to create access to an expanded addressable market. In addition, together the companies are expected to be better equipped to meet the increasingly complex needs of customers globally given the industry trends: global Telco consolidation and convergence; expansion to quad-play offerings and delivering seamless experiences across multiple screens and applications; timing of the 5G investment cycle; and transition to the cloud.

The Combined Company would also utilize its unique innovation capabilities and is expected to be in a position to accelerate development of future technologies including 5G, IP and software-defined networking, cloud and analytics.

Also, Nokia expects to maintain its long term financial target to return to an investment grade credit rating and intends to manage the capital structure of the Combined Company accordingly, including by retaining adequate gross and net cash positions and by proactively reducing indebtedness. Nokia's intention to optimize its capital structure includes intention to maintain an efficient capital structure and intention to continue annual dividend payments following the Completion of the Exchange Offer. Nokia also intends to evaluate the resumption of a capital structure optimization program for the Combined Company following the Completion of the Exchange Offer.

The Combined Company would target approximately EUR 900 million of operating cost synergies in 2019—in addition to the remaining reduction targets under Alcatel Lucent's current Shift Plan. These synergies are expected to be derived from four main areas:

- organizational streamlining, including support functions and regional and sales organizations;
- infrastructure costs, including reduction of various overhead costs in real estate, manufacturing and supply-chain infrastructure, information technology, and overall general and administrative expenses, including redundant public company costs;
- procurement, given expanded purchasing requirements of the Combined Company; and
- R&D, particularly in wireless.

In addition, the Combined Company would target approximately EUR 200 million of reductions in interest expenses in 2017 by reducing outstanding indebtedness.

The transaction is structured as an acquisition of Alcatel Lucent by Nokia, with a clear governance structure for the execution of the integration.

- Nokia has appointed an Integration Planning Head, who reports directly to Rajeev Suri, President and Chief Executive Officer of Nokia.
- Integration planning is done separately from Nokia's day-to-day operations, in order to minimize disruption to the ongoing business and to allow Nokia's employees to continue to focus on delivering successful business results, as well as comply with applicable competition laws and regulations.
- Nokia will dedicate its integration efforts to business areas with highest impact—for example wireless infrastructure, sales and channel operations and support functions—to ensure maximum competitiveness and innovation once Nokia starts the combined operations.

Management of Nokia and Alcatel Lucent

It is contemplated that following the Completion of the Exchange Offer, Nokia's corporate governance structure will include the following:

- Chairman of the Board of Directors: Risto Siilasmaa.
- President and Chief Executive Officer: Rajeev Suri.
- Nokia's Board of Directors having ten members, including Louis R. Hughes, Jean C. Monty and Olivier Piou, who have been nominated jointly by the Corporate Governance & Nomination Committee of Nokia's Board of Directors and by Alcatel Lucent. Oliver Piou is expected to serve as Vice Chairman of Nokia's Board of Directors.
- Leadership team built on strengths of both Nokia and Alcatel Lucent.

In addition, on October 7, 2015, Nokia announced the planned leadership and organizational structure for the Combined Company. However, no resolution regarding the composition of the Nokia Group Leadership Team following the Completion of the Exchange Offer has been made.

Concerning Alcatel Lucent, if the Exchange Offer is successful Nokia intends to change the composition of Alcatel Lucent's Board of Directors in order to reflect the percentage of Alcatel Lucent Shares held by Nokia and intends to obtain the majority of Alcatel Lucent's Board of Directors as soon as possible following the Exchange Offer.

Intentions of Nokia with Respect to Employment in France

In the context of the proposed combination with Alcatel Lucent and subject to its consummation, the commitments of Nokia in France relating to employment are the following:

- Follow the Shift Plan commitments regarding the level of employment in France, for a period of at least two (2) years after the consummation of the transaction. The base comprises Alcatel Lucent France/International (ALUI) operational heads (excluding branches), Bell Labs France, RFS (Radio Frequency Systems) and excluding ASN (Alcatel-Lucent Submarine Networks) and Eu factory (Landing point of the reference perimeter is 4 200 Headcount and excluding RFS unit). Nokia will maintain resources from its French operations throughout the reference period to support its customers in France;

- Strengthen the operations and activity levels for the long term at the two major technology sites of Villarceaux (Essonne) and Lannion (Cotes d'Armor) following the consummation of the transaction, with a focus on augmenting existing activities, functions, and advanced research work;

- Increase significantly and sustainably the R&D presence in France scaling up 5G, IP network management platforms (incl. Software Defined Networking) and cyber-security with employment evolving from 2 000 people to 2 500 people including the recruiting of at least 300 newly graduated talents over the coming three (3) years. The R&D employment level will be maintained for a period of at least four (4) years after the consummation of the transaction;

- Localize in France worldwide technology centers of expertise following the consummation of the transaction, including in the areas of:

    - 5G and Small Cells R&D to anchor France in the future of wireless activities for the Combined Company. France will be equipped with a full 5G innovation engine which will encompass research activities with Bell Labs, development activities as well as end to end platforms and trial networks;

    - IP management platforms (incl. Software Defined Networking);

    - Cyber Security (research, product development and platforms) while continuing to leverage the partnership established by Alcatel Lucent with Thalès;

    - Bell Labs; and

    - Wireless Transmission;

- A major worldwide corporate organization in charge of strategic innovation including networks research and Bell Labs will be led from France and will comprise key staff members;

- Maintain some operations and activities at operational hubs located in France and providing services to other locations in the world following the consummation of the transaction, including in the areas of:

    - Local support services;

    - Local pre- and post-sales resources for France and selected European & African countries;

- Take all necessary measures to find sustainable solutions for the French employees who could be impacted by the rationalization of corporate activities between Nokia and Alcatel Lucent.

Synergies

For information on synergies, refer to the section "*The Alcatel Lucent Transaction—Reasons for the Exchange Offer—The Opportunity to Realize Significant Cost Savings and Other Synergies*".

Dividend Policy

Nokia does not have a quantitative distribution policy but it does generally view annual dividends as an important mechanism to return value to its shareholders. The proposals for dividend distribution of Nokia and, until the squeeze-out, if any, is implemented, of Alcatel Lucent will continue to be determined by their respective managing bodies as regards their distribution capabilities, financial situation and the needs for the companies.

Alcatel Lucent has not distributed any dividends in the last 6 fiscal years.

Squeeze-out

If, at the Completion of the Exchange Offer or the subsequent offering period, as the case may be, Nokia owns 95% or more of the share capital and voting rights of Alcatel Lucent (Alcatel Lucent Shares held in treasury being considered as held by Nokia for the purpose of the calculation), Nokia intends to request from the AMF, within three months of the expiration of the French Offer period or the subsequent offering period, if any, the implementation of a squeeze-out for the remaining outstanding Alcatel Lucent Shares.

If, at the Completion of the Exchange Offer or, if applicable, the subsequent offering period Nokia owns 95% or more of the sum of the outstanding Alcatel Lucent Shares and Alcatel Lucent Shares issuable upon conversion of all of the OCEANEs (Alcatel Lucent Shares held in treasury being considered as held by Nokia for the purpose of the calculation), Nokia intends to request from the AMF, within three months of the expiration of the French Offer period or the subsequent offering period, if any, the implementation of a squeeze-out for the remaining OCEANEs.

To implement any of the foregoing squeeze-out process, Nokia will file with the AMF a new offer document, which must be cleared by the AMF. The AMF clearance will depend, among other things, on the evaluation of Alcatel Lucent Securities provided by Nokia and the fairness report of the independent expert which will be appointed by Alcatel Lucent's Board of Directors in accordance with the AMF General Regulation. In accordance with French law and regulations, in such a squeeze-out process, Nokia intends, prior to the implementation of the squeeze-out for cash consideration, to offer the holders of Alcatel Lucent Securities as an alternative to cash consideration, an option to exchange their Alcatel Lucent Securities at the same exchange ratios offered in the context of the Exchange Offer (the "Exchange Option"). The holders of Alcatel Lucent Securities may opt for the Exchange Option for all or part of their Alcatel Lucent Securities within a time period to be determined at a later date. The Alcatel Lucent Securities not tendered into the Exchange Option will be subject to the squeeze-out for cash consideration.

Pursuant to French law and the AMF General Regulation, the cash consideration offered in a squeeze-out will be determined through a valuation of the relevant Alcatel Lucent Securities, using objective methods applied in the context of asset sales taking into account the value of Alcatel Lucent's assets, its past earnings, its market value, its subsidiaries and its business prospects and ascribing a value and a weight in each case.

The amount of cash consideration offered in the squeeze-out would be assessed against the valuation of the Alcatel Lucent Securities by Nokia's presenting bank for the squeeze-out offer. In addition, Alcatel Lucent's independent expert would make a determination whether the amount of cash consideration offered by Nokia is fair to holders of Alcatel Lucent Securities. Finally, the amount of the cash consideration offered by Nokia would be subject to the review of the AMF.

Nokia believes that the Exchange Option conducted pursuant to and in accordance with French law and AMF General Regulation would constitute a tender offer for U.S. securities law purposes. Accordingly, when implementing the Exchange Option, we intend to assess whether or not the Exchange Option may be made in reliance on a "Tier I" or "Tier II" exemption from the U.S. tender offer rules pursuant to Regulation 14D under the Exchange Act. Following that assessment, we intend to extend the Exchange Option to all U.S. holders of Alcatel Lucent Securities in accordance with the applicable exemption under, or otherwise in accordance with, the U.S. securities laws.

If the Exchange Option qualifies for a Tier I exemption, it could be conducted primarily in accordance with French law. In addition, in such case, any Nokia Shares (including Nokia Shares represented by Nokia ADSs) offered in the Exchange Option would be exempt from the registration requirements of the Securities Act pursuant to Rule 802 promulgated under the Securities Act.

In addition, Nokia reserves the right, subject to applicable law, at any time after the Completion of the Exchange Offer or the subsequent offering period, as applicable, to cause Alcatel Lucent to redeem at par value plus accrued interests from the date the interest was last paid, to the date set for the early redemption all of the outstanding 2018 OCEANEs, 2019 OCEANEs or 2020 OCEANEs, if less than 15% of the issued OCEANEs of any such series remain outstanding.

If Nokia owns less than 95% of the share capital and voting rights of Alcatel Lucent immediately after the Completion of the Exchange Offer or, if applicable, the subsequent offering period for the Exchange Offer, then Nokia reserves the right, subject to applicable law, to (i) commence a buy-out offer for the Alcatel Lucent Securities it does not own on the relevant date pursuant to Article 236-3 of the AMF General Regulation if at any time after the Completion of the Exchange Offer it owns 95% or more of the voting rights of Alcatel Lucent, (ii) commence at any time a simplified offer for the Alcatel Lucent securities it does not own on the relevant date pursuant to Article 233-1 et seq. of the AMF General Regulation, (iii) cause Alcatel Lucent to be merged into Nokia or an affiliate thereof, contribute assets to, merge certain of its subsidiaries with, or undertake other reorganizations of, Alcatel Lucent. In addition, Nokia intends to request to delist Alcatel Lucent Shares and OCEANEs from Euronext Paris and to seek to delist Alcatel Lucent ADSs from the NYSE, whether or not Alcatel Lucent Shares have been delisted from Euronext Paris, and, when possible, to deregister Alcatel Lucent Shares and Alcatel Lucent ADSs under the U.S. Securities Exchange Act of 1934 or (iv) take any other steps to consolidate its ownership of Alcatel Lucent.

Nokia does not currently intend to structure any of the foregoing steps so that it would result in the OCEANEs becoming convertible bonds of Nokia Corporation, becoming debt obligations of Nokia Corporation or otherwise convertible into Nokia Shares or Nokia ADSs after the Completion of the Exchange Offer.

As of the date of this Listing Prospectus, Nokia does not have any current definitive plans to take any of the actions identified in paragraph (iii) or (iv) above. Should any such plans develop, Nokia will disclose them in due course and in accordance with applicable law.

Pursuant to French law and the AMF General Regulation, a buy-out offer is a public tender offer filed with the AMF by a shareholder holding, alone or in concert, at least 95% of the share capital and voting rights of a listed company and made for all the remaining outstanding securities of the company. The primary differences between an Exchange Offer and a buy-out offer are that in the buy-out offer Nokia and Alcatel Lucent would file a joint offer document with the AMF, the period of time during which the shareholders may tender their securities generally would be 10 French trading days (instead of 25 French trading days), and the squeeze-out would be implemented immediately after the buy-out offer if the 95% share capital and voting rights threshold is met.

Pursuant to French law and the AMF General Regulation, the consideration offered in a buy-out offer may be shares or cash. The consideration in a buy-out offer would be determined in the same manner as in a squeeze out (see above).

Nokia believes that a buy-out offer conducted pursuant to Article 236-3 of the AMF General Regulation would constitute a tender offer for the purposes of the U.S. securities laws. Accordingly, Nokia would structure any such offer in accordance with the applicable U.S. securities laws and regulations or any available exemption. Nokia would fully assess and seek to reconcile (including by seeking any available regulatory relief) any difference between French law practice and the U.S. law and practice in each case applicable to the buy-out offer at that time.

Pursuant to French law and the AMF General Regulation, a simplified offer is a public tender offer filed with the AMF by a shareholder holding, directly or indirectly, alone or in concert, at least 50% of the share capital and voting rights of a listed company and made for all the remaining outstanding securities of such company. The primary differences between the Exchange Offer and a simplified offer are that in the simplified offer, the period of time during which the shareholders may tender their securities generally would be 10 French trading days (instead of 25 French trading days), and the tender of securities is irrevocable during the offer period and any subsequent offering period.

Pursuant to French law and the AMF General Regulation, the consideration offered in a simplified tender offer may be shares and/or cash. However, if in the twelve-month period before the offer is filed, the bidder, acting alone or in concert, has purchased for cash securities giving it more than 5% of the share capital or voting rights of the target company, the offer must include a cash alternative. The amount of the consideration is determined by the bidder and may not be lower than the volume weighted average share price over the 60 trading days preceding the filing or, as applicable, the announcement of the offer.

Nokia believes that a simplified offer conducted pursuant to Article 233-1 et seq. of the AMF General Regulation would constitute a tender offer for the purposes of the U.S. securities laws. Accordingly, Nokia would structure any such offer in accordance with the applicable U.S. securities laws and regulations or any available exemption. Nokia would assess and seek to reconcile (including by seeking any available regulatory relief) any difference between French law practice and the U.S. law and practice in each case applicable to the simplified offer at that time.

Ownership of more than 50% but less than 95% of Alcatel Lucent post completion of the Exchange Offer

If, at the completion of the Exchange Offer and the subsequent offering period, Nokia owns more than 50% but less than 95% of the share capital and voting rights of Alcatel Lucent, Nokia reserves the right to take any of the actions described above to consolidate its ownership of Alcatel Lucent.

For so long as Nokia continues to own less than 100% of Alcatel Lucent (including while it implements any of the actions to consolidate its ownership or if such steps are not entirely successful), Alcatel Lucent Securities not acquired by Nokia would remain outstanding and may continue to trade on the applicable securities exchange(s) and may remain registered with the SEC, unless Nokia is successful in its efforts to delist and deregister such Alcatel Lucent Securities as described elsewhere in this Listing Prospectus.

Holders of any Alcatel Lucent Securities not owned by Nokia will continue to have rights under French law described in the section "*Shares and Share Capital—Nokia—Comparison of Rights of Holders of Nokia Shares and Alcatel Lucent Shares*" of this Listing Prospectus. In addition, depending on Nokia's level of ownership of the Alcatel Lucent Shares, it would be able to implement any transaction requiring majority and may be able to implement any transaction requiring a two-thirds vote of the Alcatel Lucent Shares, as described in the section "*Shares and Share Capital—Nokia—Comparison of Rights of Holders of Nokia Shares and Alcatel Lucent Shares*" of this Listing Prospectus.

Also, for so long as Nokia owns less than 100% of the Alcatel Lucent Securities, its ability to integrate Alcatel Lucent's operations with Nokia may be limited by the applicable provisions of French corporate law. In particular, pursuant to French corporate law, any transaction between Alcatel Lucent and Nokia which is neither in the ordinary course nor on an arm's-length basis would be subject to the prior approval of Alcatel Lucent's Board of Directors (with the Nokia-nominated directors unable to vote on the resolution) and would also need to be subsequently ratified by Alcatel Lucent's General Meeting of Shareholders (with Nokia unable to vote on the resolution and its Alcatel Lucent Shares excluded from the quorum). However, Nokia, as an Alcatel Lucent shareholder, would be allowed to vote its Alcatel Lucent Shares with respect to any shareholder resolution to merge Alcatel Lucent and Nokia or any of its subsidiaries. Nokia does not anticipate that any such limitations would have a significant effect on its ability to implement its intentions over the twelve-month period immediately after the successful Completion of the subsequent offering period, as outlined in this section.

Integration and Reorganization

The strategic direction of Alcatel Lucent will be to continue to offer leading solutions in Alcatel Lucent's business lines by taking advantage of the increased customer base attributable to the combination of Nokia and Alcatel Lucent. Nokia intends to integrate Alcatel Lucent into the Nokia Group as soon as possible if the Exchange Offer is successful. In addition, if the Exchange Offer is successful, Nokia intends to propose changes to the composition of the Alcatel Lucent Board of Directors. The composition of the Alcatel Lucent Board of Directors will take into account the new share ownership structure of Alcatel Lucent and in particular, the ownership level of Nokia.

It is currently expected that after the Exchange Offer, Nokia Networks' business would be conducted through four business groups: Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. These business groups would provide an end-to-end portfolio of products, software and services to enable the Combined Company to deliver the next generation of leading networks solutions and services to customers. Alongside these, Nokia Technologies would continue to operate as a separate business group. Each business group would have strategic, operational and financial responsibility for its portfolio and would be fully accountable for meeting its targets. The four Networks business groups would have a common Integration and Transformation Office to drive synergies and to lead integration activities. The business group leaders would report directly to Nokia's President and Chief Executive Officer:

- Mobile Networks (MN) would include Nokia's and Alcatel Lucent's comprehensive Radio portfolios and most of their converged Core network portfolios including IMS/VoLTE and Subscriber Data Management, as well as the associated mobile networks-related Global Services business. This unit would also include Alcatel Lucent's Microwave business and all of the Combined Company's end-to-end Managed Services business. Through the combination of these assets, Mobile Networks would provide leading end-to-end mobile networks solutions for existing and new platforms, as well as a full suite of professional services and product-attached services;

- Fixed Networks (FN) would comprise the current Alcatel Lucent Fixed Networks business, whose cutting-edge innovation and market position would be further supported through strong collaboration with the other business groups. This business group would provide copper and fiber access products and services to offer customers ultra-broadband end-to-end solutions to transform their networks, deploying fiber to the most economical point;

- Applications & Analytics (A&A) would combine the Software and Data Analytics related operations of both companies. This comprehensive applications portfolio would include Customer Experience Management, OSS as distinct from network management such as service fulfilment and assurance, Policy and Charging, services, Cloud Stacks, management and orchestration, communication and collaboration, Security Solutions, network intelligence and analytics, device management and Internet of Things connectivity management platforms. CloudBand would also be housed in this business group, which would drive innovation to meet the needs of a convergent, Cloud-centric future;

- IP/Optical Networks (ION) would combine the current Alcatel Lucent IP Routing, Optical Transport and IP video businesses, as well as the software defined networking (SDN) start-up, Nuage, plus Nokia's IP partner and Packet Core portfolio. This business group would continue to drive Alcatel Lucent's technology leadership, building large scale IP/Optical infrastructures for both service providers and, increasingly, web-scale and tech centric enterprise customers;

- Nokia Technologies (TECH) would remain as a separate entity with a clear focus on licensing and the incubation of new technologies. Nokia Technologies would continue to have its own innovation, product development and go-to-market operations.

Nokia expects to align its financial reporting under two key areas: Nokia Technologies and the Networks business. The Networks business would comprise the business groups of Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. Nokia also expects to provide selective financial data separately for each of the four Networks business groups to ensure transparency for investors over the performance of each of them.

Nokia ADS Conversion

Nokia has agreed with Citibank, N.A., Nokia's ADS depositary, that, if the Exchange Offer is successful, the ADS depositary will not charge any ADS issuance fees for the issuance of new Nokia ADSs upon deposit of Nokia Shares for a period of thirty calendar days beginning on the U.S. business day following the settlement of the subsequent offering period or, if there is no subsequent offering period, the settlement of the Exchange Offer. Pursuant to this arrangement, existing and new holders of Nokia Shares would, subject to compliance with the terms of the Nokia ADS deposit agreement, be able to convert their Nokia Shares into Nokia ADSs during such period without any ADS issuance fees.

THE MEMORANDUM OF UNDERSTANDING

The following is a summary of certain provisions of the Memorandum of Understanding. This summary is qualified in its entirety by reference to the Memorandum of Understanding, which is included in this Listing Prospectus as Annex B. This summary may not contain all the information about the Memorandum of Understanding that is important to the respective holders of Nokia Shares and Alcatel Lucent Securities and the reader of this Listing Prospectus should read the Memorandum of Understanding in its entirety.

The Memorandum of Understanding contains representations, warranties and covenants by each of Nokia and Alcatel Lucent. These representations and warranties were made solely for the benefit of the other party to the Memorandum of Understanding and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in the Memorandum of Understanding by disclosures that were made to the other party in connection with the negotiation of the Memorandum of Understanding; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the Memorandum of Understanding, the French Offer filing date or such other date or dates as may be specified in the Memorandum of Understanding. Information concerning the subject matter of the representations, warranties and covenants may change after the date of the Memorandum of Understanding, which subsequent information may or may not be fully reflected in public disclosures. In addition, such representations, warranties and covenants may have been qualified by certain disclosures not reflected in the text of the Memorandum of Understanding and may apply standards of materiality and other qualifications and limitations in a way that is different from what may be viewed as material by holders of Nokia Shares and/or Alcatel Lucent Securities. Only Nokia and Alcatel Lucent are parties to the Memorandum of Understanding, which does not confer any rights upon or give any causes of action to the holders of Alcatel Lucent Securities or the holders of Nokia Shares. Neither holders of Nokia Shares or Alcatel Lucent Securities nor any other third parties should rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or conditions of Alcatel Lucent, Nokia, or any of their respective subsidiaries or affiliates.

Nokia acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this Listing Prospectus not misleading.

The Exchange Offer

The Memorandum of Understanding provides that the Exchange Offer is being conducted on the terms and subject to the Conditions (as defined in the section "*The Exchange Offer—Terms of the Exchange Offer—Conditions to the Exchange Offer*") set forth in the section "*The Exchange Offer*" of this Listing Prospectus.

Additional Exchange Mechanisms

In accordance with the additional exchange mechanisms described in the Memorandum of Understanding, Nokia and Alcatel Lucent established the acceleration and liquidity mechanism described in the section "*The Exchange Offer—Treatment of Alcatel Lucent Stock Options and Alcatel Lucent Performance Shares*" in this Listing Prospectus.

Representations and Warranties

Under the Memorandum of Understanding, each of Nokia and Alcatel Lucent makes customary and generally reciprocal representations and warranties to the other party with respect to: organization, good standing and qualification; capitalization; corporate authority; non-contravention; required consents; reports; financial statements; internal control and disclosure control; and absence of certain changes and litigation.

Alcatel Lucent also makes customary representations and warranties to Nokia with respect to certain matters relating to intellectual property and legal compliance.

French Group Committee Consultation

In accordance with the Memorandum of Understanding and applicable law, Alcatel Lucent's French Group Committee (*Comité de Groupe France*) consultation process was completed and the French Group Committee issued its opinion on June 1, 2015. On June 4, 2015, following the issuance of the French Group Committee opinion, the Alcatel Lucent Board of Directors issued a statement expressing its full support for the proposed combination with Nokia. Refer to the section "*The Alcatel Lucent Transaction—Reasons for the Alcatel Lucent Board of Director's View on the Exchange Offer*" for more information on the view of the Alcatel Lucent Board of Directors on the Exchange Offer.

Consents and Approvals

Nokia and Alcatel Lucent have agreed to cooperate to obtain all regulatory consents in connection with the Exchange Offer. Each of Nokia and Alcatel Lucent also agreed to use its reasonable best efforts to take all actions and to do all things necessary or advisable under applicable law to consummate the Exchange Offer.

Nokia has received all regulatory approvals required for the implementation of the Exchange Offer pursuant to the Memorandum of Understanding prior to the filing of the French Offer with the AMF. Refer to the section "*The Exchange Offer—Legal Matters; Regulatory Approvals*" of this Listing Prospectus.

Conduct of the Business Pending the Exchange Offer

The Memorandum of Understanding provides that from the date of the Memorandum of Understanding until the earlier to occur of the Exchange Offer completion date or the termination of the Memorandum of Understanding, except as subject to customary conditions and consents, each of Nokia and Alcatel Lucent has agreed to conduct the business of Nokia or Alcatel Lucent, as applicable, and their respective subsidiaries in the ordinary course consistent with past practice.

During the same time period, each of Nokia and Alcatel Lucent has agreed (subject to certain exceptions) not to (i) make any material amendment to its organizational documents; (ii) split, combine or reclassify its outstanding shares; (iii) declare, set aside or pay any type of dividend, whether payable in cash, share or property, in respect of its shares; or (iv) launch any repurchase program with respect to its shares not publicly announced as of the date of the Memorandum of Understanding.

During the same time period, each of Nokia and Alcatel Lucent has agreed (subject to certain exceptions) not to and to cause its subsidiaries not to:

(a) (i) issue, sell, or dispose of any of its shares or its subsidiaries' shares, or (ii) pledge or create a lien, in each of cases (i) and (ii) with respect to (A) any of its shares or of its subsidiaries' shares, (B) any securities convertible into or exchangeable or exercisable for its shares or any of its subsidiaries' shares, (C) any options, warrants, calls, commitments or rights of any kind to acquire, its shares or any of its subsidiaries' shares, or (D) any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with its shareholders or its subsidiaries' shareholders on any matter;

(b) incur any long-term indebtedness for borrowed money (including any guarantee of such indebtedness);

(c) in one or several transactions, transfer, exchange, swap or otherwise create a material lien on or dispose (whether by way of merger, consolidation, sale of shares or assets, or otherwise) of any material portion of its consolidated assets, including shares of its subsidiaries; and

(d) in one or several transactions, acquire (whether by merger, consolidation, purchase or otherwise) any person or assets.

In addition, during the same time period Alcatel Lucent has agreed not to and to cause its subsidiaries not to (subject to certain exceptions):

(a) (i) settle or agree to a compromise in respect of certain material claims or litigation, or (ii) (A) modify, amend or terminate certain material contracts, or (B) waive, release or assign any material rights or claims under any of such contracts;

(b) enter into certain "non-compete" or similar contracts;

(c) abandon, fail to maintain or assign any material intellectual property; and

(d) enter into certain material arrangements that in certain circumstances would purport to have a binding effect on Nokia or any of its direct or indirect subsidiaries (other than Alcatel Lucent and its subsidiaries) or any of their respective patents.

Until the settlement of the initial offering period Nokia and Alcatel Lucent have agreed not to declare, set aside or pay any dividends, subject to exceptions for, among other things, (i) for Alcatel Lucent, dividends which may be anticipated pursuant to the disposition of Alcatel-Lucent Submarine Network, if any and (ii) for Nokia, (x) distributions which may be anticipated to be paid in 2015 in the ordinary course of business and consistent with past practices and which are limited to an aggregate amount of EUR 0.14 per Nokia Share or (y) distributions of special dividends in cash in an amount not exceeding in the aggregate EUR 1 000 000 000).

Nokia Shareholder Meeting

Pursuant to the Memorandum of Understanding, the Nokia Board of Directors resolved on October 22, 2015 to convene an Extraordinary General Meeting of Nokia Shareholders to consider and vote on the resolution contemplated by the Nokia Shareholder Approval and the election of Louis R. Hughes, Jean C. Monty and Olivier Piou to the Nokia Board of Directors, as more fully described in the section "*The Alcatel Lucent Transaction—Nokia Shareholder Meeting*" of this Listing Prospectus.

No Solicitation of Alternate Proposals

The Memorandum of Understanding provides that, during the term of the Memorandum of Understanding, Alcatel Lucent undertakes:

(a) not to and to cause its subsidiaries not to and to use its reasonable best efforts to cause its and its subsidiaries' senior officers, directors or representatives not to:

    i. initiate, solicit, induce, or take any action with a view to facilitate or encourage, any inquiries, proposals or offers that constitute, or would reasonably be expected to lead to, an Alternate Proposal (as defined below);

    ii. engage or otherwise participate in any discussions or negotiations (including by way of furnishing non-public information or granting access to any of the properties or assets of Alcatel Lucent or its subsidiaries) with any person relating to any inquiries, proposals or offers that constitute, or would reasonably be expected to lead to, an Alternate Proposal;

    iii. accept, approve, endorse or recommend any Alternate Proposal;

    iv. approve or recommend or execute or enter into, any letter of intent, agreement in principle, memorandum of understanding, tender offer agreement, merger agreement, acquisition agreement, business combination agreement, joint venture agreement, option agreement or other similar agreement in respect of any Alternate Proposal; or

    v. propose publicly or agree to do any of the foregoing related to any Alternate Proposal; and

(b) to promptly after becoming aware of a receipt of an Alternate Proposal or of any request for non-public information or inquiry relating to Alcatel Lucent by any person or a group of persons who has or would reasonably be expected to make any Alternate Proposal, provide Nokia with notice of the terms and conditions of such Alternate Proposal, request or inquiry.

Notwithstanding the foregoing, if at any time Alcatel Lucent receives a bona fide written Alternate Proposal or any written request for non-public information or inquiry relating to Alcatel Lucent by any person or group of persons who has or is expected to make any bona fide written Alternate Proposal, in each case that the Alcatel Lucent Board of Directors determines in good faith constitutes or is reasonably likely to lead to a Superior Proposal (as defined below), Alcatel Lucent may engage in any of the actions described in paragraph (a)(ii) above provided that (i) the person or group of persons making such Alternate Proposal or request, as applicable, for non-public information or inquiry has signed a confidentiality agreement with Alcatel Lucent on terms not less restrictive in any material respect on such person or group of persons than the confidentiality agreement between Nokia and Alcatel Lucent and containing (A) no exclusivity provision or provision (unless waived by such person) inconsistent with the terms of the no solicitation provision of the Memorandum of Understanding and (B) a standstill provision of a duration of at least one year (subject to customary exceptions), and (ii) all information which is provided to such person or group of persons but was not previously provided to Nokia must be provided to Nokia as promptly as practicable.

"Alternate Proposal" with respect to Alcatel Lucent means any offer or proposal for, or any indication of interest in by any person or group of persons, in one or a series of related transactions (other than the Exchange Offer) involving (i) any direct or indirect acquisition or purchase of (A) the Alcatel Lucent Securities that would result in any person or a group of persons owning 15% or more of the Alcatel Lucent Shares (either directly or after conversion or exercise of such Alcatel Lucent Securities) or (B) assets of Alcatel Lucent or any of its subsidiaries, including by way of the acquisition or purchase of, or subscription to, any class of equity securities or voting rights of any of its subsidiaries, that represent (or generate) 15% or more of the consolidated gross revenue, consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) or consolidated gross assets of Alcatel Lucent, as presented in the most recent audited annual consolidated financial statements of Alcatel Lucent; or (ii) any merger, reorganization, restructuring, contribution, share exchange, consolidation, business combination, joint venture, recapitalization, liquidation, dissolution or similar transaction involving Alcatel Lucent or any of its subsidiaries or any of their respective assets meeting the tests set forth in prong (i)(B) of this definition, but with the exception of (x) intra-group reorganizations and transactions or (y) any transfer, sale, disposition, exchange or distribution of all or part of Alcatel Lucent's interest in Alcatel Lucent Submarine Networks in accordance with the terms of the Memorandum of Understanding, provided that such transfer, sale, disposition, exchange or distribution does not involve or require the issuance of any Alcatel Lucent Shares.

"Superior Proposal" means any bona fide written Alternate Proposal from any person or group of persons (provided that, for the purpose of this definition, all references to "15%" in the definition of "Alternate Proposal" are replaced by "30%" with respect to prong (i)(A) of the Alternate Proposal definition and are replaced by "50%" with respect to prong (i)(B) of the Alternate Proposal definition) that the Alcatel Lucent Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) (i) to be more favorable to Alcatel Lucent, the holders of the Alcatel Lucent Securities and the other stakeholders of Alcatel Lucent than the Exchange Offer, taking into account, among other things, (x) all legal, financial, regulatory, timing, financing and other aspects of the Alternate Proposal, the Memorandum of Understanding and the Exchange Offer on the terms described in the Memorandum of Understanding (including the respective conditions to and the respective expected timing and risks of consummation), (y) any improved terms that Nokia may have offered pursuant to and in accordance with the Memorandum of Understanding (as described further below), and (z) the corporate interest (*intérêt social*) of Alcatel Lucent and (ii) the Alcatel Lucent Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) that failure to pursue such Alternate Proposal would be inconsistent with its fiduciary duties under applicable law.

Alcatel Lucent Board Recommendation and Related Matters

It is expected that prior to the commencement of the Exchange Offer, the Board of Directors of Alcatel Lucent would issue its reasoned opinion with respect to the Exchange Offer expressing its formal views on the Exchange Offer and making a recommendation to the holders of the Alcatel Lucent Securities with respect to the Exchange Offer (the "Alcatel Lucent Board Recommendation").

In addition to the Alcatel Lucent Board Recommendation, the Board of Directors of Alcatel Lucent has approved the Memorandum of Understanding on April 15, 2015 and, following the issuance of the French Group Committee opinion, issued a statement on June 4, 2015, expressing its full support for the proposed combination with Nokia.

Change in Alcatel Lucent Board Recommendation

Except as described below, after the date of this Listing Prospectus Alcatel Lucent agreed not to make a Change in Alcatel Lucent Board Recommendation (as defined below). Alcatel Lucent is permitted to:

(a) at any time make a Change in Alcatel Lucent Board Recommendation in response to the receipt of any bona fide written Alternate Proposal that the Alcatel Lucent Board determines in good faith constitutes a Superior Proposal. Unless such Superior Proposal is in the form of a formal offer filed and cleared with the AMF, prior to the Alcatel Lucent Board making such a Change in Alcatel Lucent Board Recommendation, Alcatel Lucent agreed to send a written notice thereof to Nokia. Upon receipt of such notice by Nokia, Alcatel Lucent agreed, upon the request of Nokia in its sole discretion, to negotiate in good faith with Nokia during a period of five days on which banking institutions are open for regular business in Finland, France and the United States which is not a Saturday, a Sunday or a public holiday (each a "MoU Business Day") from the date on which Nokia received such notice with respect to any changes to the terms of Memorandum of Understanding or the Exchange Offer irrevocably offered by Nokia. If the Alcatel Lucent Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute), after giving effect to such changes as are irrevocably offered by Nokia, that such Alternate Proposal (i) continues to constitute a Superior Proposal and (ii) the failure to make a Change in Alcatel Lucent Board Recommendation in response to such Superior Proposal would be inconsistent with its fiduciary duties under applicable law, then Alcatel Lucent may make a Change in Alcatel Lucent Board Recommendation in response to such Superior Proposal; and

(b) at any time following reasonable notice to Nokia, make a Change in Alcatel Lucent Board Recommendation in response to a material adverse effect with respect to Nokia, if the Alcatel Lucent Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) that its failure to do so would be inconsistent with its fiduciary duties under applicable law.

"Change in Alcatel Lucent Board Recommendation" means, at any time following the issuance of the Alcatel Lucent Board Recommendation, Alcatel Lucent (through the Alcatel Lucent Chief Executive Officer or the Chairman of the Alcatel Lucent Board) or the Alcatel Lucent Board (i) withdrawing, amending, qualifying or modifying, or publicly proposing to withdraw, amend, qualify or modify, the Alcatel Lucent Board Recommendation in a manner materially adverse to Nokia, (ii) approving or recommending any Alternate Proposal, including by making any public statements that expressly and unequivocally support any Alternate Proposal, or (iii) failing, upon the request of Nokia, to recommend against any publicly announced bona fide and credible Alternate Proposal within ten MoU Business Days after the initial public announcement thereof, provided that any material change in price or any other material term of such Alternate Proposal shall be deemed to be a new Alternate Proposal for purposes of this clause (iii); and provided further that, with respect to any action or inaction of the Alcatel Lucent Chief Executive Officer or the Chairman of the Alcatel Lucent Board (without the consent of the Alcatel Lucent Board), none of clauses (i), (ii) or (iii) constitute a Change in Alcatel Lucent Board Recommendation if the Alcatel Lucent Board, within two MoU Business Days of the relevant action or inaction, issues a statement expressly and unequivocally rejecting such action or inaction and re-issuing the Alcatel Lucent Board Recommendation.

Nokia Board Recommendation

The Nokia Board of Directors has undertaken to determine, subject to its fiduciary duties under applicable law and the terms and conditions of the Memorandum of Understanding, to recommend that the Nokia shareholders vote in favor of the resolution presented to them to approve the authorization for the Nokia Board of Directors to issue such number of new Nokia Shares as may be necessary for delivering the Nokia Shares offered in consideration for the Alcatel Lucent Securities tendered into the Exchange Offer and the appointment of the three members of the Nokia Board of Directors identified jointly by the Corporate Governance & Nomination Committee of the Nokia Board of Directors and by Alcatel Lucent, in each case subject to the Completion of the Exchange Offer (the "Nokia Board Recommendation"). The Nokia Board of Directors announced the Nokia Board Recommendation on October 22, 2015.

Change in Nokia Board Recommendation

Except as set forth below, the Nokia Board of Directors agreed not to make a Change in Nokia Board Recommendation (as defined below). Notwithstanding the foregoing, at any time prior to the Nokia shareholder vote with respect to the Nokia Shareholder Approval, the Nokia Board of Directors may make a Change in Nokia Board Recommendation in response to a Nokia Intervening Event (as defined below) if it determines in good faith that its failure to do so would be inconsistent with its fiduciary duties under applicable law, after giving effect to such changes as are offered by Alcatel Lucent within ten MoU Business Days after receiving the notice thereof to address such Nokia Intervening Event. Prior to the Nokia Board of Directors making a Change in Nokia Board Recommendation, Nokia agreed to send a written notice to Alcatel Lucent that Nokia intends to take such action. Upon receipt of such notice by Alcatel Lucent, Nokia agreed, upon the request of Alcatel Lucent in its sole discretion, to negotiate in good faith with Alcatel Lucent during a period of ten MoU Business Days from the date on which Alcatel Lucent received such notice with respect to any changes to the terms of the Memorandum of Understanding or the Exchange Offer irrevocably offered by Alcatel Lucent. If the Nokia Board of Directors determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute), after giving effect to such changes as are irrevocably offered by Alcatel Lucent, that its failure to make a Change in Nokia Board Recommendation in connection with such Nokia Intervening Event continues to be inconsistent with its fiduciary duties under applicable law, then Nokia may make a Change in Nokia Board Recommendation in connection with such Nokia Intervening Event.

"Change in Nokia Board Recommendation" means Nokia (through the Nokia President and Chief Executive Officer or the Chairman of the Nokia Board of Directors) or the Nokia Board of Directors (i) at any time withdrawing, amending, qualifying or modifying, or publicly proposing to withdraw, amend, qualify or modify, the Nokia Board Recommendation in a manner materially adverse to Alcatel Lucent or the holders of the Alcatel Lucent Securities provided that, with respect to any action or inaction of the Nokia President and Chief Executive Officer or the Chairman of the Nokia Board of Directors (without the consent of the Nokia Board of Directors), none of the foregoing shall constitute a Change in Nokia Board Recommendation if the Nokia Board of Directors, within two MoU Business Days of the relevant action or inaction, issues a statement expressly and unequivocally rejecting such action or inaction and re-issuing the Nokia Board Recommendation or (ii) at the time Nokia convenes or holds the Nokia General Meeting, the Nokia Board of Directors failing to reiterate the Nokia Board Recommendation.

"Nokia Intervening Event" means any change, condition, effect, event or occurrence that is unknown to and not reasonably foreseeable by the Nokia Board of Directors on the date of the Memorandum of Understanding, which change, condition, effect, event or occurrence becomes known to the Nokia Board of Directors prior to obtaining the Nokia Shareholder Approval; provided, however, that none of the following (or the consequences thereof) will constitute a Nokia Intervening Event: (i) any action taken by any party pursuant to the Memorandum of Understanding or in connection with the transactions contemplated by the Memorandum of Understanding; (ii) any changes in the market price or trading volume of the Alcatel Lucent Securities or the Nokia Shares or the respective credit ratings of Alcatel Lucent or Nokia; (iii) the receipt, existence of or terms of any proposal by a third party to acquire (directly or indirectly) an interest, assets, securities or enter into an arrangement (including any merger, reorganization, restructuring, contribution, share exchange, consolidation, business combination, joint venture, recapitalization, liquidation, dissolution or similar transaction) in respect of Nokia or any of Nokia's subsidiaries or any inquiry relating thereto, or the implementation of any such arrangements; (iv) any change, condition, effect, event or occurrence relating to the transactions contemplated by the Memorandum of Understanding; or (v) any change, condition, effect, event or occurrence referred to in clauses (i) through (ix) of the definition of "Material Adverse Effect" (as set forth in the Memorandum of Understanding).

Indemnification and D&O Insurance

Subject to the Completion of the Exchange Offer and for six years following the Completion of the Exchange Offer, Nokia agreed to cause Alcatel Lucent or its subsidiaries to indemnify and provide advancement of expenses to all past and present directors and senior officers of Alcatel Lucent on terms not less favorable to such director or senior officer than those provided to him or her by Alcatel Lucent or its subsidiaries on the date of the Memorandum of Understanding. The preceding indemnity provision will be deemed satisfied if Alcatel Lucent or Nokia purchase a six-year "tail" prepaid policy on the relevant terms.

Conditions to the Filing of the French Offer

Pursuant to the Memorandum of Understanding, the filing of the French Offer with the AMF is subject to certain customary conditions precedent, including the following:

- absence of injunction or law in effect immediately prior to the filing of the French Offer making illegal, restraining, enjoining or otherwise prohibiting the Exchange Offer;
- receipt of competition approvals including (i) expiration or termination of the waiting period pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (ii) approval pursuant to Council Regulation (EC) No. 139/2004, and (iii) approval pursuant to the merger control laws in the following countries: Brazil, Canada, China, India, Japan, Taiwan and Russia;
- the authorization of the Ministry of Economy and Finance of the French Republic and the receipt of the required approval of the Committee on Foreign Investment in the United States;
- accuracy of the representations and warranties of Alcatel Lucent, subject to a materiality standard;
- performance of the covenants under the Memorandum of Understanding by Alcatel Lucent, subject to a materiality standard;
- reiteration or issuance of the Alcatel Lucent Board Recommendation; and
- absence of a continuing Material Adverse Effect (as defined in the Memorandum of Understanding) with respect to Alcatel Lucent.

All of the foregoing conditions are expected to have been satisfied or waived prior to the filing of the French Offer with the AMF.

Termination of the Memorandum of Understanding

The Memorandum of Understanding may be terminated by mutual agreement of Nokia and Alcatel Lucent.

After the commencement of the U.S. Offer, the Memorandum of Understanding may be terminated either by Nokia or Alcatel Lucent with a written notice to the other party (subject to certain exceptions):

(a) if, pursuant to Article 232-11 of the AMF General Regulation, the French Offer has been withdrawn by Nokia, or the AMF has published a notice that the French Offer was not successful;

(b) if any relevant governmental authority of competent jurisdiction shall have (i) denied in writing any regulatory consent required under the Memorandum of Understanding or (ii) enacted, issued, promulgated or granted any restricting law prohibiting the transaction contemplated by the Memorandum of Understanding;

(c) if the Alcatel Lucent Board of Directors withdraws its support for the Exchange Offer in connection with a Superior Proposal; or

(d) prior to the Completion of the Exchange Offer if the resolution related to the Nokia Shareholder Approval has been submitted at the Nokia Extraordinary General Meeting and the Nokia Shareholder Approval shall not have been validly obtained.

After the commencement of the Exchange Offer, the Memorandum of Understanding may be terminated by Nokia with a written notice to Alcatel Lucent (subject to certain exceptions) for any reason other than in connection with a Superior Proposal or in response to a material adverse effect with respect to Nokia if the Alcatel Lucent Board of Directors withdraws its support for the Exchange Offer.

After the commencement of the Exchange Offer, the Memorandum of Understanding may be terminated by Alcatel Lucent with a written notice to Nokia (subject to certain exceptions) if the Nokia Board of Directors makes a Change in Nokia Board Recommendation.

The Memorandum of Understanding contains certain other termination provisions that will expire prior to commencement of the U.S. Offer.

Even if the Memorandum of Understanding was terminated, such a termination would not automatically result in the withdrawal of the French Offer. According to Article 232-11 of the AMF General Regulation, an offeror may only withdraw its offer in limited circumstances.

Termination Fees

After the commencement of the Exchange Offer, Nokia may be obligated to pay to Alcatel Lucent:

(a) EUR 150 million if the Memorandum of Understanding is terminated due to a failure to obtain Nokia Shareholder Approval;

(b) EUR 300 million if the Memorandum of Understanding is terminated due to (i) Change in Nokia Board Recommendation or (ii) material breach by Nokia of the Memorandum of Understanding and Nokia or Nokia's Board of Directors having taken deliberate action to frustrate the obtaining of the Nokia Shareholder Approval; or

(c) EUR 400 million if the Memorandum of Understanding is terminated due to a relevant authority of competent jurisdiction having enacted or otherwise issued an injunction or a restricting law with respect to the Exchange Offer.

After the commencement of the Exchange Offer, Alcatel Lucent may be obligated to pay to Nokia:

(a) EUR 300 million if the Memorandum of Understanding is terminated due to (i) Alcatel Lucent Board of Directors decision or measure leading to withdrawal of the French Offer pursuant to Article 232-11 of the AMF General Regulation or (ii) change in Alcatel Lucent Board Recommendation; or

(b) EUR 300 million if (i) a certain type of an Alternate Proposal is publicly announced or otherwise communicated to Alcatel Lucent, (ii) Alcatel Lucent does not make a Change in Alcatel Lucent Board Recommendation, (iii) the Exchange Offer is terminated due to failure to satisfy the Minimum Tender Condition (which refers to the number of Alcatel Lucent Securities validly tendered in accordance with the terms of the Exchange Offer representing, on the date of announcement by the AMF of the results of the French Offer taking into account the results of the U.S. Offer, more than 50% of the Alcatel Lucent Shares on a fully diluted basis) and (iv) within 12 months of such termination, Alcatel Lucent enters into and consummates an agreement with respect to such Alternate Proposal with the person making such Alternate Proposal.

The Memorandum of Understanding contains certain other termination fee provisions that will expire prior to commencement of the U.S. Offer.

Standstill

Nokia and Alcatel Lucent agreed to reciprocal standstill periods, subject to customary exceptions, with respect to the other party's securities following certain events of termination of the Memorandum of Understanding. The standstill periods would last until the longer of the 12-month anniversary of the termination date of the Memorandum of Understanding and the 18-month anniversary of the date of the Memorandum of Understanding.

Exchange Ratio Adjustment Mechanism

According to the Memorandum of Understanding, if between the date of the Memorandum of Understanding (i.e., April 15, 2015) and the settlement date of the Exchange Offer or, if any, the subsequent offering period (or the relevant settlement date with respect to any additional acceleration mechanism of options to acquire Alcatel Lucent Shares ("Alcatel Lucent Stock Options") and plans for restricted stock granted by Alcatel Lucent ("Alcatel Lucent

Performance Shares”)), (i) the outstanding Alcatel Lucent Shares or Nokia Shares are changed into a different number of shares or a different class by reason of any share dividend, subdivision, reclassification, split, reverse split, combination or exchange of shares, or (ii) Alcatel Lucent or Nokia resolve to pay any dividend (other than, with respect to Nokia, the ordinary dividend of 0.14 euros announced prior to the date of the Memorandum of Understanding, on January 29, 2015, and paid on May 21, 2015. It is specified that Nokia may, pursuant to the Memorandum of Understanding, pay other ordinary course cash dividends consistent with past practice or a special cash dividend in an amount of up to one billion euros without the prior consent of Alcatel Lucent but which would give rise to an adjustment) , or (iii) Alcatel Lucent or Nokia make any other distribution to its security holders or shareholders in each case with a record date before the settlement of the Exchange Offer or, if any, the subsequent offering period (or the relevant settlement date with respect to any additional acceleration mechanism of the Alcatel Lucent Stock Options and Alcatel Lucent Performance Shares plans), then the consideration offered to the holders of Alcatel Lucent Securities after such event pursuant to the Exchange Offer will be appropriately adjusted to provide to the holders of such Alcatel Lucent Securities the same economic effect as contemplated by the Memorandum of Understanding prior to such event.

THE EXCHANGE OFFER

Terms of the Exchange Offer

Nokia is offering, substantially upon the terms and subject to the Conditions (as defined below) described in this Listing Prospectus to acquire all of the Alcatel Lucent Securities through the Exchange Offer whereby Alcatel Lucent Securities will be exchanged for Nokia Shares or Nokia ADSs, as described below. The U.S. Offer will made pursuant to the tender offer statement on Schedule TO (the "Schedule TO"), and the French Offer pursuant to the French Offer Document.

As of the opening of the Exchange Offer, Nokia does not own, directly or indirectly, acting alone or in concert, any Alcatel Lucent Securities. As of the date of this Listing Prospectus, Nokia has not entered into any agreements to acquire Alcatel Lucent Securities outside of the Exchange Offer.

The Exchange Offer is comprised of the U.S. Offer and the French Offer.

The U.S. Offer is being made pursuant to the Schedule TO to all U.S. holders of outstanding Alcatel Lucent Shares, all holders of outstanding Alcatel Lucent ADSs, wherever located, and all U.S. holders of outstanding OCEANEs.

For every Alcatel Lucent Share validly tendered into, and not withdrawn from, the U.S. Offer, holders of Alcatel Lucent Shares will receive 0.55 Nokia Shares. For every Alcatel Lucent ADS validly tendered into, and not withdrawn from, the U.S. Offer, holders of Alcatel Lucent ADSs will receive 0.55 Nokia ADSs. For every OCEANE validly tendered into, and not withdrawn from, the U.S. Offer, holders of Alcatel Lucent OCEANEs will receive such number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer. Holders of Alcatel Lucent ADSs located outside of the United States may participate in the U.S. Offer only to the extent the local laws and regulations applicable to those holders permit them to participate in the U.S. Offer.

The French Offer to exchange 0.55 Nokia Shares for every Alcatel Lucent Share, and 0.55 Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer will be made pursuant to the French Offer Document available to holders of Alcatel Lucent Shares and OCEANEs who are located in France (holders of Alcatel Lucent Shares and OCEANEs who are located outside of France may not participate in the French Offer except if, pursuant to the local laws and regulations applicable to those holders, they are permitted to participate in the French Offer).

After Completion of the Exchange Offer and assuming that all Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any, former holders of Alcatel Lucent Securities are expected to own approximately 33.5% of the issued and outstanding Nokia Shares on a fully diluted basis.

Nokia's obligation to exchange Nokia Shares for Alcatel Lucent Securities pursuant to the Exchange Offer is subject to the Conditions (as defined below) described under "*—Conditions to the Exchange Offer*" in this Listing Prospectus.

Holders of Alcatel Lucent Securities who tender their securities for Nokia Shares or Nokia ADSs pursuant to the Exchange Offer will not be obligated to pay any charges or expenses of the U.S. exchange agent, of the Nokia depositary or of the Alcatel Lucent depositary.

Holders whose Alcatel Lucent Securities are tendered for Nokia Shares or Nokia ADSs pursuant to the Exchange Offer by a broker, dealer, commercial bank, trust company or other nominee will be responsible for any fees or commissions such nominees may charge in connection with such tender. No commission will be paid by Nokia to any intermediary of Alcatel Lucent Security holders or any person soliciting the contribution of Alcatel Lucent Securities into the Exchange Offer. Holders of Alcatel Lucent Securities who tender their securities pursuant to the Exchange Offer will also be responsible for all governmental charges and taxes payable in connection with such tender.

Offer Period

The U.S. Offer is expected to commence on or about the same date as the French Offer following Nokia's filing of the Schedule TO with the SEC. The U.S. Offer and withdrawal rights for tenders of Alcatel Lucent Shares and OCEANEs into the U.S. Offer will expire at the expiration date of the U.S. Offer (the "Expiration Date"), which date may be at the earliest 25 French trading days after the commencement of the French Offer, unless the U.S. Offer is extended. The ADS tender deadline for validly tendering and withdrawing Alcatel Lucent ADSs in the U.S. Offer will expire on the U.S. business day immediately preceding the Expiration Date, unless the U.S. Offer is extended (the "ADS Tender Deadline").

Before the opening of the French Offer, the AMF and Euronext Paris will publish an opening notice and timetable of the French Offer (*avis d' ouverture et de calendrier*) and a notice setting out the characteristics and the timetable of the French Offer, respectively.

Extension, Termination and Amendment

Pursuant to the Memorandum of Understanding, Nokia has agreed to ensure that, subject to applicable law, the period during which the U.S. Offer is open (which will be at least 20 U.S. business days) corresponds to the period during which the French Offer is open (including any extensions or subsequent offering periods in relation to the French Offer). According to Article 231-34 of the AMF General Regulation, during the offer period, only the AMF can extend the French Offer. The AMF may extend the French Offer period in certain circumstances, including if a competing offer is filed, if the terms of the French Offer are improved, if the AMF's decision to clear the French Offer is being appealed, or in case it requires the amendment of the French Offer Document relating, in particular, to the legal, financial and accounting characteristics of Nokia or Alcatel Lucent, due to an omission or inaccuracy. Subject to the U.S. federal securities laws and the Memorandum of Understanding, Nokia expressly reserves the right to extend the U.S. Offer either to match the extension of the French Offer or otherwise.

Furthermore, Nokia may be required by the U.S. federal securities laws (including Rule 14e-1 under the U.S. Securities Exchange Act of 1934) to extend the U.S. Offer, if Nokia makes a material change to the terms of the U.S. Offer. For example, if Nokia changes the percentage of Alcatel Lucent Securities sought in the U.S. Offer or the exchange ratio applicable to the U.S. Offer within ten U.S. business days prior to the then-scheduled Expiration Date, the U.S. Offer will be extended so that it will expire no less than ten U.S. business days after the change is first published, sent or given to holders of Alcatel Lucent Securities in order to allow adequate dissemination and investor response to the change. If Nokia makes any other material change to the terms of the U.S. Offer or in the information concerning the U.S. Offer, or waives a material condition of the U.S. Offer, Nokia will extend the U.S. Offer, if required by applicable law, for a period sufficient to allow holders of Alcatel Lucent Securities to consider the amended terms of the U.S. Offer. Nokia will comply with Rule 14d-4(d)(2) under the U.S. Securities Exchange Act of 1934 in connection with material changes to the terms of the U.S. Offer. If Nokia is required to extend the U.S. Offer pursuant to the SEC rules and regulations, it intends to seek AMF's consent to a corresponding extension of the French Offer. There is no guarantee that AMF would grant such consent, which may lead to different offering periods for the French Offer and the U.S. Offer.

To the extent permitted by applicable rules and regulations of the AMF and the SEC and subject to the Memorandum of Understanding, Nokia expressly reserves the right to, at any time and from time to time:

- terminate or amend the U.S. Offer (and not accept at expiration of the offer period any Alcatel Lucent Securities) upon the failure of any of the Conditions (as defined below) described in this Listing Prospectus below under "*—Conditions to the Exchange Offer*";
- prior to the expiration of the offer period of the French Offer, revoke the French Offer in accordance with the AMF General Regulation with the prior approval of the AMF if (i) the Exchange Offer becomes without purpose, or (ii) (A) Alcatel Lucent adopted measures which modify its substance during the offer period or in case the Exchange Offer is successful, or (B) the measures taken by Alcatel Lucent render the continuation of the Exchange Offer particularly onerous. The French Offer may be revoked until the expiration of the French Offer. The AMF General Regulation does not define under which circumstances an offer becomes without purpose or is substantially modified or is particularly onerous. The assessment is made by the AMF

on a case-by-case basis. Revocation of the French Offer would likely have a material adverse effect on the U.S. Offer, including the likely failure of the Minimum Tender Condition; and

- waive any Condition (as defined below) or otherwise amend the Exchange Offer in any respect, provided that, under the AMF General Regulation, Nokia may not amend the terms of the French Offer in a manner adverse to the shareholders and any amendment must be made no later than five French trading days prior to the expiration of the French Offer period and requires the prior approval of the AMF. A waiver of a material condition or any other material change to the U.S. Offer, if that waiver or change occurs ten or five U.S. business days, as applicable, prior to the date the U.S. Offer is scheduled to expire, may also require the extension of the U.S. Offer as described above. Under the AMF General Regulation, if the Minimum Tender Condition is waived by Nokia, the Exchange Offer will lapse if Nokia fails to cross the Mandatory Minimum Acceptance Threshold (as defined in the section "*—Conditions to the Exchange Offer*"). In addition, pursuant to the Memorandum of Understanding, Nokia cannot, without the prior written consent of Alcatel Lucent, amend, modify, supplement or waive any term of the Exchange Offer or Condition (as defined below), other than the Minimum Tender Condition, in a manner materially adverse to Alcatel Lucent or the holders of Alcatel Lucent Securities.

In addition, as described further in "*—Conditions to the Exchange Offer*", Nokia may waive the Minimum Tender Condition to any level above the Mandatory Minimum Acceptance Threshold at the time of announcement of the results of the French Offer by the AMF (taking into account the results of the U.S. Offer) without extending the Exchange Offer period.

To extend, terminate, waive a Condition (as defined below) to or amend the U.S. Offer, Nokia will notify the U.S. exchange agent by written notice or oral notice confirmed in writing. If Nokia determines to extend, terminate, waive a Condition (as defined below) to or amend the Exchange Offer, it will seek any required approval of the AMF and, upon such approval, or if such approval is not required, no later than 9:00 A.M., New York City time, on the next U.S. business day after such extension, termination, waiver or amendment, it will make public announcement thereof. Subject to applicable law (including Rule 14d-4(d)(1) under the U.S. Securities Exchange Act of 1934, which requires that any material change in the information published, sent or given to shareholders in connection with the U.S. Offer be promptly disseminated to security holders in a manner reasonably designed to inform security holders of that change) and without limiting the manner in which Nokia may choose to make any public announcement, Nokia does not assume any obligation to publish, advertise or otherwise communicate any public announcement of this type, as explained below, other than by issuing a public announcement. In addition, Nokia will post notice of any public announcement of this type on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction. The information on such website is not a part of this Listing Prospectus and is not incorporated by reference herein.

If Nokia extends the period of time during which the U.S. Offer is open, the U.S. Offer will expire at the latest time and date to which Nokia extends the Expiration Date or ADS Tender Deadline, as applicable. During any such extension, all Alcatel Lucent Securities validly tendered into, and not withdrawn from, the U.S. Offer prior to that date will remain subject to the holders' right to withdraw their Alcatel Lucent Securities, except during the subsequent offering period, as discussed below. Holders of Alcatel Lucent Securities should read the discussion under "*—Withdrawal Rights*" for more information about their ability to withdraw tendered Alcatel Lucent Securities.

Subsequent Offering Period

A subsequent offering period is an additional period of time after Nokia has acquired Alcatel Lucent Securities in the Exchange Offer during which holders may tender, but not withdraw, Alcatel Lucent Securities and receive the Exchange Offer consideration. Pursuant to the Memorandum of Understanding, and according to Article 232-4 of the AMF General Regulation, if more than 50% but less than 95% of the share capital and voting rights of Alcatel Lucent have been tendered in and not withdrawn from the Exchange Offer, there will be a subsequent offering period for the French Offer. Under the AMF General Regulation, the subsequent offering period for the French Offer will begin no later than ten French trading days following the publication by the AMF of the results of the French Offer (taking into account the results of the U.S. Offer) and must last at least ten French trading days. Pursuant to the Memorandum of Understanding, Nokia has agreed to ensure that, subject to applicable law, the period during which the U.S. Offer is open corresponds to the period during which the French Offer is open (including subsequent offering periods in relation to the French Offer). If a subsequent offering period is provided, Nokia will publicly announce the results of the Exchange Offer, including the approximate number and percentage of Alcatel Lucent Securities tendered to date, no later than nine French trading days after the expiration of the Exchange Offer period and will thereafter begin the subsequent offering period in accordance with AMF General Regulation. Nokia expressly reserves the right in its sole discretion to conduct a subsequent offering period for the U.S. Offer either to match the subsequent offering period of the French Offer or otherwise. Nokia also expressly reserves the right, in is sole discretion, to extend the subsequent offering period for the U.S. Offer by giving oral or written notice to the U.S. exchange agent.

Pursuant to Rule 14d-7(a)(2) under the U.S. Securities Exchange Act of 1934, no withdrawal rights apply to Alcatel Lucent Securities tendered during a subsequent offering period and no withdrawal rights apply during the subsequent offering period with respect to the Alcatel Lucent Securities previously tendered in the U.S. Offer and accepted for exchange. The same consideration will be received by Alcatel Lucent Security holders tendering in the Exchange Offer or in a subsequent offering period. Refer to the section "*Withdrawal Rights*" of this Listing Prospectus.

Withdrawal Rights

Alcatel Lucent ADSs tendered into the U.S. Offer can be withdrawn at any time prior to the ADS Tender Deadline. However, these withdrawal rights will not be available following the expiration of the U.S. Offer and prior to the commencement of the subsequent offering period, if any. In addition, subject to satisfaction of all Conditions (as defined below) other than the Minimum Tender Condition, these withdrawal rights will not be available during the period that the securities tendered into the Exchange Offer are being counted. For a withdrawal of the holder's Alcatel Lucent ADSs to be effective, the U.S. exchange agent must receive a timely written notice of withdrawal. Any such notice must specify the name of the person who tendered the Alcatel Lucent ADSs being withdrawn, the number of Alcatel Lucent ADSs being withdrawn and the name of the registered holder if different from that of the person who tendered such Alcatel Lucent ADSs.

If certificates evidencing Alcatel Lucent ADSs being withdrawn have been delivered or otherwise identified to the U.S. exchange agent, then, prior to the physical release of such certificates, (1) the U.S. exchange agent also must receive the name of the registered holder and the serial numbers of the particular certificate evidencing the Alcatel Lucent ADSs and (2) the signature(s) on the notice of withdrawal must be guaranteed by an eligible institution unless such Alcatel Lucent ADSs have been tendered for the account of an eligible institution. If Alcatel Lucent ADSs have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the Depository Trust Company ("DTC") to be credited with the withdrawal of the securities.

Alcatel Lucent Shares or OCEANEs tendered for exchange may be withdrawn at any time prior to the Expiration Date. However, these withdrawal rights will not be available following the expiration of the offer period and prior to the commencement of the subsequent offering period, if any. In addition, subject to satisfaction of all Conditions (as defined below) other than the Minimum Tender Condition, these withdrawal rights will not be available during the period that the securities tendered into the Exchange Offer are being counted. To withdraw previously tendered Alcatel Lucent Shares or OCEANEs, holders of Alcatel Lucent Securities should contact the French or non-French financial intermediary or nominee through whom they tendered regarding their withdrawal procedures. If holders of Alcatel Lucent Securities wish to withdraw their Alcatel Lucent Shares or OCEANEs, it is their responsibility to ensure that the financial intermediary that has been instructed to tender a holder's Alcatel Lucent Shares or OCEANEs receives proper instruction to withdraw the tender of those Alcatel Lucent Shares or OCEANEs sufficiently in advance of the Expiration Date.

In addition, in accordance with U.S. securities laws, tendered Alcatel Lucent Securities may generally be withdrawn if they have not been accepted for exchange within 60 days after commencement of the U.S. Offer.

During any subsequent offering period no withdrawal rights will apply to Alcatel Lucent Securities tendered during such subsequent offering period, pursuant to Rule 14d-7(a)(2) under the U.S. Securities Exchange Act of 1934.

Nokia will decide all questions as to the form and validity (including time of receipt) of any notice of withdrawal in its sole discretion, and its decision will be final and binding. None of Nokia, the U.S. exchange agent, the information agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or will incur any liability for failure to give any such notification.

Any Alcatel Lucent Securities properly withdrawn will be deemed not to have been validly tendered for purposes of the Exchange Offer. However, a holder of Alcatel Lucent Securities may retender withdrawn Alcatel Lucent Securities by following one of the procedures discussed in the section of this Listing Prospectus "—*Procedure for Tendering*" at any time prior to the Expiration Date or the ADS Tender Deadline, as applicable, or during any subsequent offering period.

Conditions to the Exchange Offer

Nokia's obligation to accept, and to exchange, any Alcatel Lucent Securities validly tendered into the Exchange Offer will be subject only to:

- the satisfaction of the Minimum Tender Condition or, if waived by Nokia in its sole discretion, the crossing of the Mandatory Minimum Acceptance Threshold; and
- the receipt of the Nokia Shareholder Approval;

collectively referred to as the "Conditions" and each a "Condition".

For purposes of the Minimum Tender Condition, the "fully diluted" Alcatel Lucent Shares will be calculated as follows: (i) in the numerator, the sum of (A) all Alcatel Lucent Shares (including Alcatel Lucent Shares represented by ADSs) validly tendered into the Exchange Offer as of the Expiration Date and (B) all Alcatel Lucent Shares issuable upon conversion of the OCEANEs validly tendered into the Exchange Offer as of the Expiration Date taking into account the relevant OCEANEs' conversion ratio applicable on the Expiration Date; and (ii) in the denominator, the sum of (A) all Alcatel Lucent Shares issued and outstanding (including Alcatel Lucent Shares represented by ADSs) as of the Expiration Date and (B) all Alcatel Lucent Shares issuable at any time prior to, on or after the Expiration Date upon the exercise of any outstanding options, warrants, convertible securities or rights to purchase, subscribe or be allocated, newly issued Alcatel Lucent Shares, including upon conversion of the OCEANEs (taking into account the relevant OCEANEs' conversion ratio applicable on the Expiration Date), exercise of Alcatel Lucent Stock Options or acquisition of Alcatel Lucent Performance Shares.

Nokia, Alcatel Lucent and the holders of Alcatel Lucent Securities will not know whether the Mandatory Minimum Acceptance Threshold is satisfied before the publication by the AMF of the final results of the French Offer (taking into account the results of the U.S. Offer). At such time, Nokia shall determine, in its sole discretion, whether to waive the Minimum Tender Condition to any level at or above the Mandatory Minimum Acceptance Threshold.

- Under the AMF General Regulation, Nokia may waive the Minimum Tender Condition until the date of publication by the AMF of the results of the French Offer (taking into account the results of the U.S. Offer). If Nokia waives the Minimum Tender Condition, set forth in Article 231-9 (II) of the AMF General Regulation, the Exchange Offer will lapse if, on the date of the expiration of the Exchange Offer period, Nokia does not hold a number of Alcatel Lucent Shares representing at least the Mandatory Minimum Acceptance Threshold (which refers to a number of Alcatel Lucent Shares representing more than 50% of the Alcatel Lucent share capital or voting rights, taking into account, if necessary, the Alcatel Lucent Shares resulting from the conversion of the OCEANEs validly tendered into the Exchange Offer).
- If necessary to reach the Mandatory Minimum Acceptance Threshold, Nokia undertakes to convert a sufficient number of OCEANEs tendered into the Exchange Offer so that Nokia holds sufficient number of Alcatel Lucent Shares to cross the Mandatory Minimum Acceptance Threshold. The conversion of such OCEANEs will be deemed to have retroactive effect to the date of expiration of the Exchange Offer period for the purpose of calculating the Mandatory Minimum Acceptance Threshold.

The Mandatory Minimum Acceptance Threshold would be calculated as follows:

- the numerator being the sum of (i) all Alcatel Lucent Shares validly tendered into the Exchange Offer (including Alcatel Lucent Shares represented by Alcatel Lucent ADSs) as of the Expiration Date and (ii) all Alcatel Lucent Shares issuable upon conversion of the OCEANEs validly tendered into the Exchange Offer as of the Expiration Date, taking into account the relevant OCEANE's conversion ratio applicable on the

Expiration Date, and (iii) all Alcatel Lucent Shares held in treasury by Alcatel Lucent as well as Alcatel Lucent Shares held by its subsidiaries; and

- the denominator being the sum of (i) all Alcatel Lucent Shares issued and outstanding (including Alcatel Lucent Shares represented by Alcatel Lucent ADSs) as of the Expiration Date and (ii) all Alcatel Lucent Shares issuable upon conversion of the OCEANEs validly tendered into the Exchange Offer as of the Expiration Date, taking into account the relevant OCEANE's conversion ratio applicable on the Expiration Date.

Nokia, Alcatel Lucent and the holders of Alcatel Lucent Securities will not know whether the Minimum Tender Condition is satisfied before the publication by the AMF of the final results of the French Offer (taking into account the results of the U.S. Offer).

Subject to the SEC rules and regulation (including the SEC rules that require that material changes of a condition be promptly disseminated to shareholders in a manner reasonably designed to inform them of such changes), Nokia expressly reserves the right, at any time, and from time to time, to waive the Minimum Tender Condition, by giving oral or written notice of the waiver to the U.S. exchange agent and by making a public announcement in accordance with the procedures outlined in "—*Extension, Termination and Amendment*" above. If the Minimum Tender Condition is waived by Nokia, the Exchange Offer will lapse if Nokia fails to cross the Mandatory Minimum Acceptance Threshold.

If the Mandatory Minimum Acceptance Threshold is not met, the Alcatel Lucent Securities tendered in the Exchange Offer will be returned to their owner, within three French trading days after the publication by the AMF of the results of the French Offer (taking into account the results of the U.S. Offer), without interest, compensation or any other payment which may be owed to the owners by Nokia.

In addition, in accordance with the French law and AMF General Regulation, Nokia may waive the Minimum Tender Condition to any level above the Mandatory Minimum Acceptance Threshold no later than five French trading days before the Expiration Date, in accordance with the provisions of Article 232-7 of the AMF General Regulation.

If Nokia elects to waive the Minimum Tender Condition at the time of announcement of the results of the French Offer by the AMF (taking into account the results of the U.S. Offer), Nokia would do each of the following:

- announce that Nokia may waive or reduce the Minimum Tender Condition at least five U.S. business days before the Expiration Date;
- disseminate such announcement through a press release and other methods reasonably calculated to inform U.S. holders of the Alcatel Lucent Securities of the possibility of a waiver or reduction;
- the press release would state that the Minimum Tender Condition may be waived to 50% of the Alcatel Lucent share capital or voting rights (taking into account OCEANEs tendered into the Exchange Offer) on the date of the announcement of the results of the French Offer (taking into account the results of the U.S. Offer) in accordance with Article 231-9 of the AMF General Regulation;
- during the five U.S. business day period after the announcement of a possible waiver or reduction, withdrawal rights would be provided in accordance with the terms of the U.S. Offer;
- the announcement would advise Alcatel Lucent Security holders to withdraw tendered Alcatel Lucent Securities immediately if their willingness to tender into the U.S. Offer would be affected by the reduction or waiver of the Minimum Tender Condition;
- a subsequent offering period of not less than five U.S. business days would be provided with respect to the U.S. Offer after the announcement of the results of the French Offer by the AMF (taking into account the results of the U.S. Offer) (and a simultaneous waiver or reduction of the Minimum Tender Condition); and
- all conditions of the Exchange Offer, other than the Minimum Tender Condition, would be satisfied or waived after the Expiration Date (at which time, the withdrawal rights would be terminated).

If Nokia waives the Minimum Tender Condition in accordance with the foregoing provisions at the time of announcement of the results of the French Offer (taking into account the results of the U.S. Offer), the Exchange Offer would be successful and, upon settlement, Nokia would own Alcatel Lucent Securities at a level above the Mandatory Acceptance Threshold but below the Minimum Tender Condition. In accordance with French law, at the Mandatory Minimum Acceptance Threshold, Nokia would control Alcatel Lucent.

In addition, following such waiver, Nokia would, in accordance with the AMF General Regulation, provide a subsequent offering period of not less than ten French trading days with respect to the French Offer. Nokia would provide a subsequent offering period with respect to the U.S. Offer to match the subsequent offering period of the French Offer, with such subsequent offering period being not less than five U.S. business days. Holders of Alcatel Lucent Securities that did not tender their Alcatel Lucent Securities into the Exchange Offer prior to the Expiration Date, would be able to tender their Alcatel Lucent Securities into the subsequent offering period in accordance with the terms thereof.

Nokia's obligation to file the French Offer with the AMF under the Memorandum of Understanding is subject to certain other conditions precedent, including receipt of certain regulatory approvals, accuracy of representations and warranties, compliance with covenants and absence of a material adverse effect. All these conditions are expected to have been satisfied or waived prior to filing of the French Offer with the AMF. Refer to the Memorandum of Understanding included in Annex B to this Listing Prospectus for a description of such conditions.

Validity of Tenders

Nokia will determine questions as to the validity, form, eligibility, including time of receipt, and acceptance for exchange of any tender of Alcatel Lucent Securities, in Nokia's sole discretion, and Nokia's determination shall be final and binding. Nokia reserves the absolute right to reject any and all tenders of Alcatel Lucent Securities that Nokia determines are not in proper form or the acceptance of or exchange for which may be unlawful. Nokia also reserves the absolute right to waive any defect or irregularity in the tender of any Alcatel Lucent Securities of any particular holder, whether or not similar defects or irregularities are waived in the case of other holders. No tender of Alcatel Lucent Securities will be deemed to have been validly made until all defects and irregularities in tenders of Alcatel Lucent Securities will have been cured or waived. None of Nokia, the U.S. exchange agent nor any other person will be under any duty to give notification of any defects or irregularities in the tender of any Alcatel Lucent Securities, and none of them will incur any liability for failure to give any such notification. Nokia's interpretation of the terms of the Exchange Offer and Conditions, including the letter of transmittal and instructions thereto, will be final and binding.

Announcement of Results

The AMF is expected to announce the results of the French Offer, taking into account the results of the U.S. Offer, four to five and in any event no later than nine French trading days following the expiration of the French Offer period and, if applicable, the expiration of the subsequent offering period. In addition, Nokia will also announce the results of the Exchange Offer and, if applicable, the subsequent offering period by means of a public announcement to be issued on the date of announcement of the results by the AMF. In addition, notice will be posted on Nokia's website at www.nokia.com. The information on Nokia's website is not a part of this Listing Prospectus and is not incorporated by reference herein.

Settlement and Delivery of Securities

If the Conditions have been satisfied or, if applicable, waived, Nokia will accept for exchange and will exchange all Alcatel Lucent Securities that have been validly tendered into, and not withdrawn from, the Exchange Offer and Nokia will issue and deliver the Nokia Shares through Euronext Paris, and will cause its depositary to issue and deliver Nokia ADSs through the U.S. exchange agent, approximately five French trading days following the announcement of the results of the French Offer by the AMF, in accordance with applicable Finnish, French and U.S. rules and regulations. With respect to the subsequent offering period, if any, in accordance with the AMF General Regulation, Nokia will accept for exchange and will exchange all Alcatel Lucent Securities that have been validly tendered into the Exchange Offer during the subsequent offering period and Nokia will issue and deliver the Nokia Shares through Euronext Paris and will cause its depositary to issue and deliver Nokia ADSs through the U.S. exchange agent approximately five

French trading days following the announcement of the results of the French Offer by the AMF during the subsequent offering period, in accordance with applicable Finnish, French and U.S. rules and regulations.

If holders of Alcatel Lucent ADSs validly tender Alcatel Lucent ADSs to the U.S. exchange agent, Nokia will deposit the Nokia Shares issuable in respect of the Alcatel Lucent ADSs accepted for exchange in the U.S. Offer with the custodian of the Nokia depositary. The Nokia depositary will then issue Nokia ADSs representing such Nokia Shares. The U.S. exchange agent will distribute such Nokia ADSs to the holders of Alcatel Lucent ADSs acquired in the U.S. Offer as follows:

- if a holder of Alcatel Lucent ADSs holds their Alcatel Lucent ADSs directly in certificated or uncertified form and a holder or a holder's nominee validly tendered the holder's Alcatel Lucent ADSs in the U.S. Offer by means of delivery of a letter of transmittal, the U.S. exchange agent will register the applicable number of uncertificated Nokia ADSs in the holder's name and mail to the holder a confirmation of such registration; or
- if a holder of Alcatel Lucent ADSs holds their Alcatel Lucent ADSs in book-entry form through DTC and such Alcatel Lucent ADSs were delivered to the U.S. exchange agent by book-entry transfer using the ATOP system, the U.S. exchange agent will deliver the applicable number of Nokia ADSs to DTC for forwarding to the account of the holder's nominee at DTC.

Note that, in accordance with Finnish law, Finnish citizens that own Nokia Shares must be registered directly on the Nokia shareholder register and thus can only hold Nokia Shares in their book entry account with a Finnish book-entry operator.

The AMF will publish the results of the French Offer, taking into account the results of the U.S. Offer, no later than nine trading days after the closing date of the French Offer. If the AMF determines that the French Offer is positive, taking into account the results of the U.S. Offer, Euronext Paris will indicate its settlement-delivery date in a notice.

The transfer of ownership of the Alcatel Lucent Shares and OCEANEs tendered into the Exchange Offer will take place on the date of the settlement-delivery between Nokia and Euronext Paris as indicated in Euronext Paris' notice (approximately five trading days after the publication by the AMF of the definitive result of the French Offer taking into account the results of the U.S. Offer), all rights pertaining to these Alcatel Lucent Shares and OCEANEs being transferred to Nokia on that date. On such date, the Alcatel Lucent Shares and OCEANEs are transferred to Nokia, subject to the delivery by Nokia to Euronext Paris of the Nokia Shares issued as consideration for the Exchange Offer.

When Euronext Paris receives the Nokia Shares, it will transfer them to the intermediaries representing the Alcatel Lucent shareholders and holders of OCEANEs who have tendered their Securities into the Exchange Offer.

The steps set out above would be repeated in the same order and on the same terms, in particular, in relation of timing as the Exchange Offer, and would be set out in a notice published by Euronext Paris in the context of the subsequent offering period, if any.

Under no circumstances will interest be paid on the exchange of Alcatel Lucent Securities, regardless of any delay in making the exchange or any extension of the Exchange Offer.

Nokia expects that Nokia ADSs to be issued in connection with the Exchange Offer or the subsequent offering period, if any, will begin trading on the NYSE on a "when-issued" basis before the Completion of the Exchange Offer or the subsequent offering period, if any, which is expected to occur approximately five French trading days after the announcement of the results of the French Offer by the AMF (taking into account the results of the U.S. Offer) or the subsequent offering period, if any. "When-issued" trading of Nokia ADSs will continue until the Completion of the Exchange Offer or the subsequent offering period, if any. The "when-issued" trades of Nokia ADSs are expected to settle after issuance of the newly issued Nokia ADSs pursuant to the Exchange Offer or the subsequent offering period, as applicable.

Treatment of Fractional Nokia Shares or Nokia ADSs

No fractional Nokia Shares or Nokia ADSs will be issued by Nokia in the context of the Exchange Offer, including during the subsequent offering period. Holders of Alcatel Lucent Securities who tender in the Exchange Offer, including during the subsequent offering period, a number of Alcatel Lucent Securities which does not entitle them to a whole number of new Nokia Shares or Nokia ADSs, will be considered as having expressly agreed to participate in the mechanism to resell new fractional Nokia Shares or ADSs described below for the fractional Nokia Shares or Nokia ADSs to which they are entitled.

Resale Mechanism for Nokia ADSs

Promptly after the Completion of the Exchange Offer or subsequent offering period, if necessary, Citibank, N.A. will aggregate all fractional entitlements to new Nokia ADSs (their number being rounded down to the next whole number of ADSs) in order to obtain a whole number of new Nokia ADSs and will sell them on the open market for the account of the applicable tendering holders of Alcatel Lucent Securities participating in this resale mechanism promptly after receipt of the applicable Nokia Shares from Nokia. The cash amount (with respect to Nokia ADSs, in U.S. dollars, rounded to the nearest U.S. cent, it being noted that 0.50 U.S. cents will be rounded to one U.S. cent) will be paid to the applicable tendering holders of Alcatel Lucent Securities as soon as possible following such date. The holders of Alcatel Lucent Securities who participate in this mechanism to resell fractional Nokia ADS entitlements will receive the net proceeds of sales pro rata to their participation in this mechanism, it being specified that Nokia cover the broker fees as well as any other fees which may be related to the setting up of this resale mechanism.

Resale Mechanism for Nokia Shares

Promptly after the Completion of the Exchange Offer or subsequent offering period, if necessary, Euronext Paris will aggregate all fractional entitlements to new Nokia Shares (their number being rounded up to the highest unit) in order to obtain a whole number of new Nokia Shares and will transfer them to Société Générale who will sell them on the open market for the account of the applicable tendering holders of Alcatel Lucent Securities participating in this resale mechanism promptly and no later than ten French trading days following the Completion of the Exchange Offer and/or if necessary, any subsequent offering period after receipt of the applicable Nokia Shares from Nokia. The cash amount (with respect to Nokia Shares, in U.S. dollars, rounded to the nearest U.S. cent, it being noted that 0.50 U.S. cents will be rounded to one U.S. cent, and, in EUR, rounded to the closest cent, it being noted that 0.50 cent shall be rounded up to 1 cent) will be paid to the applicable tendering holders of Alcatel Lucent Securities as soon as possible following such date. The holders of Alcatel Lucent Securities who participate in this mechanism to resell fractional Nokia Share entitlements will receive the net proceeds of sales pro rata to their participation in this mechanism, it being specified that Nokia will cover the broker fees as well as any other fees which may be related to the setting up of this resale mechanism.

However, under no circumstances will any interest be paid on the cash amount to be received by a holder of Alcatel Lucent Securities in return for a fractional Nokia Share or Nokia ADS, even in the event of late payment of this amount.

At the end of any subsequent offering period, the same mechanism to resell fractional Nokia Shares or Nokia ADSs will be implemented in order to treat any fractional Nokia Shares or Nokia ADSs generated during the subsequent offering period.

Share Issuance and Power of Attorney

The Nokia Shares (including the Nokia Shares represented by Nokia ADSs) to be issued in the U.S. Offer and the French Offer will be created by means of an issuance of new ordinary Nokia Shares. In order to settle the Exchange Offer, it is contemplated that the General Meeting of Shareholders of Nokia will resolve to authorize the Nokia Board of Directors to issue new Nokia Shares in deviation from the shareholders' pre-emptive rights as consideration to the holders of Alcatel Lucent Securities who have tendered their Alcatel Lucent Securities into the Exchange Offer, and that the Nokia Board of Directors will make a resolution to issue new Nokia Shares based on the authorization by the General Meeting of Shareholders (and register such issuance of new shares with the Finnish Trade Register on settlement).

On the basis of a maximum total number of 3 755 595 655 Alcatel Lucent Shares targeted by the Exchange Offer (including Alcatel Lucent Shares issuable upon the conversion of OCEANEs or the exercise of Alcatel Lucent Stock Options and including Alcatel Lucent ADSs), if the participation in the Exchange Offer is 100%, a maximum number of 2 065 577 610 Nokia Shares may be issued in the Exchange Offer. The exact number of Nokia Shares to be issued will depend on the number of Alcatel Lucent Securities tendered in the Exchange Offer and into any subsequent offering period, as applicable, and will be determined after the publication by the AMF of the results of the French Offer (taking into account the results of the U.S. Offer).

The new Nokia Shares would be ordinary shares representing the share capital of Nokia, from the same category, entirely paid-up, with voting rights and without nominal value. They will have the same rights and benefits as all existing ordinary shares, including the right to any future dividend, as from the registration of the new shares in accordance with the Finnish Companies Act. The transferability of the Offered Shares will not be limited by any provision of the Nokia Articles of Association, Finnish law or Nasdaq Helsinki and NYSE Euronext regulations.

For a more detailed description of the Nokia Shares refer to the section entitled "*Shares and Share Capital—Nokia—Information on Shares and Share Capital*".

Certain Consequences of the Exchange Offer

After a successful Completion of the Exchange Offer, Nokia is expected to own between 50% and 100% of Alcatel Lucent. As a result, Nokia will be in a position to exert influence over the strategic, operating and financial policies of Alcatel Lucent. If the squeeze-out is implemented, Nokia's ownership of Alcatel Lucent would increase to 100% and Nokia would be entitled to all benefits resulting from that ownership, including all income generated by Alcatel Lucent's operations and any future increase in Alcatel Lucent's value and the right to elect all members of the Alcatel Lucent Board of Directors. Similarly, Nokia would also bear the risk of losses generated by Alcatel Lucent's operations and any decrease in the value of Alcatel Lucent after such an acquisition.

Listings of the Nokia Shares

Nokia has applied for the Nokia Shares (including the Nokia Shares to be issued in connection with the Exchange Offer) to be admitted for listing to Euronext Paris. Nokia expects that Admission will take effect prior to the Completion of the Exchange Offer. Nokia will apply for a listing of the Nokia Shares and Nokia ADSs to be issued in connection with the Exchange Offer on Nasdaq Helsinki and the NYSE, respectively. Nokia expects that Nokia ADSs to be issued in connection with the Exchange Offer or the subsequent offering period, if any, will begin trading on the NYSE on a "when-issued" basis before the Completion of the Exchange Offer or the subsequent offering period, if any, which is expected to occur approximately five French trading days after the announcement of the results of the French Offer by the AMF (taking into account the results of the U.S. Offer) or the results of the subsequent offering period, if any.

Delisting of Alcatel Lucent Securities

After Completion of the Exchange Offer, and as applicable, after any subsequent offering period, Nokia intends, subject to applicable law and securities exchange regulations, to (i) request from Euronext Paris the delisting of the Alcatel Lucent Shares and OCEANEs from the regulated market of Euronext Paris and (ii) seek to delist the Alcatel Lucent ADSs from the NYSE and, when possible, to deregister the Alcatel Lucent Shares and Alcatel Lucent ADSs under the U.S. Securities Exchange Act of 1934.

A delisting from Euronext Paris may occur in accordance with the Euronext Paris rules if Nokia (i) completes the squeeze-out or (ii) holds at least 90% of the voting rights of Alcatel Lucent following a simplified public offer and over the last 12 months before the delisting application the total value of Alcatel Lucent Shares traded on Euronext Paris represents less than 0.5% of Alcatel Lucent's market capitalization. Pursuant to Articles 6905/1 et. seq. of the Euronext Rule Book, Euronext Paris may delist shares listed on its markets upon a written request of the issuer, which must indicate the reasons of such request. Euronext Paris may decide not to proceed with the delisting of the shares as requested by the issuer if such a delisting affects the equitable, organized and efficient functioning of the market. Euronext Paris may also subject the delisting of the Alcatel Lucent Shares to any additional conditions which it deems appropriate.

Dilutive Effect on Nokia Shareholders

For a breakdown of total number of shares and voting rights of Nokia before and following the Completion of the Exchange Offer, if Nokia owns 100% of Alcatel Lucent Securities, refer to the section "*Ownership Structure and Dilution of Ownership—Nokia*".

Accounting Treatment

Nokia prepares its consolidated financial statements in accordance with IFRS. The Acquisition is expected to be accounted for as a business combination using the acquisition method of accounting under IFRS with Nokia considered as the acquirer. This means that Nokia will allocate the purchase consideration to the fair value of Alcatel Lucent's identifiable assets and assumed liabilities at the acquisition date, with any excess of the purchase consideration over the net identifiable net assets acquired be recognized as goodwill. Under IFRS, goodwill is not amortized but is tested for impairment at least annually.

No Appraisal Rights

There are no appraisal or similar rights available to holders of Alcatel Lucent Securities in connection with the Exchange Offer.

Fees and Expenses

Nokia retained Société Générale as presenting bank (*banque présentatrice*) for the French Offer and Nokia's financial advisor in connection with the Exchange Offer, and certain of its affiliates have in the past provided, and may in the future provide, financial advisory or financing services to Nokia and its affiliates and have received, and may receive in the future, fees for rendering these services. Nokia will pay the presenting bank reasonable and customary compensation for its services in addition to reimbursing the presenting bank for its reasonable out-of-pocket expenses. The address of the presenting bank is Société Générale S.A., Corporate Finance, 75886 Paris Cedex 18, France.

Nokia retained Citibank, N.A. to act as the U.S. exchange agent to receive and hold Alcatel Lucent ADSs validly tendered into, and not withdrawn from, the U.S. Offer, for the benefit of Nokia. Nokia will pay the U.S. exchange agent reasonable and customary compensation for its services in connection with the U.S. Offer, will reimburse the U.S. exchange agent for its reasonable out-of-pocket expenses and will indemnify the U.S. exchange agent against certain liabilities and expenses. Citibank, N.A. depositary offices are located at 388 Greenwich Street, 14th Floor, New York, NY 10013, United States.

Nokia retained Georgeson as information agent in the United States in connection with the Exchange Offer. The information agent may contact holders of Alcatel Lucent Securities by mail, telephone or other means and may request that brokers, dealers, commercial banks, trust companies and other nominees who hold Alcatel Lucent Securities on behalf of beneficial owners of these Alcatel Lucent Securities, forward material relating to the Exchange Offer to such beneficial owners. Nokia will pay the information agent reasonable and customary compensation for these services in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Nokia has agreed to indemnify the information agent against certain liabilities and expenses in connection with the Exchange Offer, including certain liabilities under the U.S. federal securities laws.

Nokia retained Nordea Bank as Finnish issuer agent for issuing Nokia Shares in the Finnish book-entry system. Nokia will pay the issuer agent reasonable and customary compensation for its services in addition to reimbursing the issuer agent for its reasonable out-of-pocket expenses. Nordea Bank's head office is located at Aleksanterinkatu 36, FI-00100 Helsinki, Finland.

Nokia retained JP Morgan as its financial advisor. JP Morgan delivered a fairness opinion to the Board of Directors of Nokia in connection with the Exchange Offer and may perform advisory and consulting services for Nokia. For its role as Nokia's financial advisor, Nokia will pay JP Morgan a reasonable and customary compensation in addition to reimbursing JP Morgan's reasonable out-of-pocket expenses.

Nokia retained Brunswick as an advisor for the announcement and execution of the transaction, receiving assistance in the creation and distribution of communications materials to institutional and individual shareholders, and external audiences including the media and public sector. Nokia will pay Brunswick reasonable and customary compensation for these services in addition to reimbursing Brunswick for its reasonable out-of-pocket expenses.

The total fees and expenses incurred by Nokia and its affiliates in connection with the Exchange Offer and listing of the Nokia Shares on Euronext Paris and listing of the newly issued Nokia Shares and Nokia ADSs on Nasdaq Helsinki and the NYSE, respectively, including fees and other costs related to external financial and legal advisors and of any other experts and consultants, as well as communication costs, are estimated to be in excess of EUR 110 million (excluding tax). Nokia has agreed that the remuneration of some of the above-mentioned banks and advisors is success-based. The total amount of such success fees amounts to approximately EUR 12.5 million.

Matters Relevant for Holders of OCEANEs

On July 3, 2013, Alcatel Lucent issued 349 414 680 of the 2018 OCEANEs. The terms and conditions of the 2018 OCEANEs are set out in the securities note that is included in the prospectus that received the visa No. 13-305 of the AMF on June 26, 2013, established for the issuance of the 2018 OCEANEs. The 2018 OCEANEs, which have a par value of EUR 1.80, with an annual interest rate of 4.25%, and with a maturity date of July 1, 2018, are convertible or exchangeable at any time after August 12, 2013, and give right to 1.06 new or existing Alcatel Lucent Shares for every 2018 OCEANE (after adjustment of the conversion/exchange ratio following the share capital increase of December 9, 2013), subject to the adjustments provided for by the prospectus and pursuant to the conditions of the said prospectus. As of September 30, 2015, the number of 2018 OCEANEs outstanding was 349 413 680.

On June 10, 2014, Alcatel Lucent issued 167 500 000 of the 2019 OCEANEs. The terms and conditions of the 2019 OCEANEs are set out in the securities note that is included in the prospectus that received the visa No. 14-254 of the AMF on June 2, 2014, established for the issuance of the 2019 OCEANEs and the 2020 OCEANEs. The 2019 OCEANEs, which have a par value of EUR 4.11, with an annual interest rate of 0%, and with a maturity date of January 30, 2019, are convertible or exchangeable at any time after July 20, 2014, and give right to one new or existing Alcatel Lucent Share for every 2019 OCEANE, subject to the adjustments provided for by the prospectus and pursuant to the conditions of the said prospectus. As of September 30, 2015, the number of 2019 OCEANEs outstanding was 167 500 000.

On June 10, 2014, Alcatel Lucent issued 114 499 995 of the 2020 OCEANEs. The terms and conditions of the 2020 OCEANEs are set out in the securities note, which is included in the prospectus that received the visa No. 14-254 of the AMF on June 2, 2014, established for the issuance of the 2019 OCEANEs and 2020 OCEANEs. The 2020 OCEANEs, which have a par value of EUR 4.02, with an annual interest rate of 0.125%, and with a maturity date of January 30, 2020, are convertible or exchangeable at any time after July 20, 2014, and give right to one new or existing Alcatel Lucent Share for every 2020 OCEANE, subject to the adjustments provided for by the prospectus and pursuant to the conditions of the said prospectus. As of September 30, 2015, the number of 2020 OCEANEs outstanding was 114 499 995.

Conversion/Exchange of OCEANE Bonds in the Event of a Tender Offer

Under the terms of the OCEANEs, since the Exchange Offer may lead to a Change of Control (as defined below) of Alcatel Lucent, the opening of the Exchange Offer resulted in adjustment of the conversion/exchange ratio for the duration of the Adjustment Period (as defined below) in accordance with the following formula:

NCER = CER x (1 + OCEANE Issue Premium x (D/DT))

where:

- "NCER" means the OCEANEs new conversion/exchange ratio applicable during the Adjustment Period;

- "CER" means the conversion/exchange ratio in effect before the Exchange Offer opening date, such conversion/exchange ratio being 1.06 Alcatel Lucent Share for every one 2018 OCEANE, one Alcatel Lucent Share for every one 2019 OCEANE, and one Alcatel Lucent Share for every one 2020 OCEANE;

- "OCEANE Issue Premium" means the premium, expressed as a percentage, determined by comparing the par value per unit of the OCEANEs to the reference price of the Alcatel Lucent Shares used at the time the final terms of the OCEANEs were determined, such premium being 36.8% for the 2018 OCEANEs, 40.2% for the 2019 OCEANEs and 37.1% for the 2020 OCEANEs;

- "D" means the number of days between the Exchange Offer opening date (inclusive) and the OCEANE maturity date (excluded), with the maturity date being July 1, 2018 for the 2018 OCEANEs, January 30, 2019 for the 2019 OCEANEs and January 30, 2020 for the 2020 OCEANEs; and

- "DT" means the number of days between the issuance date of the OCEANEs (inclusive) (such date being July 3, 2013 for the 2018 OCEANEs and June 10, 2014 for the 2019 OCEANEs and 2020 OCEANEs) and the maturity date of the OCEANEs (exclusive) (such number of days being 1 824 days for the 2018 OCEANEs, 1 695 days for the 2019 OCEANEs and 2 060 days for the 2020 OCEANEs).

The adjustment of the conversion/exchange ratio discussed above will, pursuant to the terms of the respective securities notes of the OCEANEs, benefit only those holders of OCEANEs who will exercise their conversion/exchange right, between (and including):

(a) the opening date of the Exchange Offer, and

(b) (i) (x) if the AMF declares that the French Offer is successful, the date that is 15 French business days (*jours ouvrés*) after the publication by the AMF of the results of the French Offer (taking into account the results of the U.S. Offer) or, if there is a subsequent offering period, the date that is 15 French business days after the end of the subsequent offering period of the French Offer, or (y) if the AMF declares that the French Offer (taking into account the results of the U.S. Offer) is unsuccessful, the date of publication by the AMF of the results of the French Offer; or (ii) if Nokia withdraws the Exchange Offer, the date on which such withdrawal is published.

This period is referred to as the "Adjustment Period".

For the purpose of the OCEANEs, the term "Change of Control" means acquisition by one or more individual(s) or legal entity or entities, acting alone or in concert, of the control of Alcatel Lucent, with "control" meaning the holding (directly or indirectly through the intermediary of companies themselves controlled by the individual(s) or entity or entities concerned) (x) the majority of voting rights attached to the Alcatel Lucent Shares or (y) more than 40% of these voting rights if no other Alcatel Lucent shareholder, acting alone or in concert, holds (directly or indirectly through the intermediary of companies controlled by this or these shareholders) a higher percentage of voting rights.

In the event of the conversion/exchange of the OCEANEs during the Adjustment Period, the corresponding Alcatel Lucent Shares will be delivered within a maximum of three French business days (*jours ouvrés*) of the OCEANEs conversion/exchange request date.

In the event of an adjustment, Alcatel Lucent is obligated to notify the holders of OCEANEs of such adjustment, at the latest within five French business days (*jours ouvrés*) following the entry into force of the new adjustment, by means of a notice published in a financial newspaper with general distribution in France. Such adjustment shall also be subject to a notice issued by Euronext Paris within the same deadline.

Early Redemption in the Event of a Change of Control

In the case of the occurrence of a Change of Control (as would be the case if the Exchange Offer is successful), any holder of OCEANEs may, at its option, request the early redemption in cash the OCEANEs owned by such holder at par plus, as applicable, accrued interest from the last interest payment date for each series of the OCEANEs until the early redemption date, pursuant to the terms of the prospectus relating to the issue of such OCEANEs.

If the Exchange Offer is successful, Alcatel Lucent is expected to inform the holders of OCEANEs of any Change of Control by means of a notice distributed by Alcatel Lucent and posted on its website (www.alcatel-lucent.com) as well as in a notice to be issued by Euronext Paris at the latest within 30 calendar days following the effective Change of Control. These notices are expected to remind the holders of OCEANEs that they have the right to request the early redemption of their OCEANEs and to indicate (i) the early redemption date which would be between the 25th and the 30th French business day (*jours ouvrés*) following the distribution date of the notice by Alcatel Lucent, (ii) the redemption amount and (iii) the period, of at least 15 French business days (*jours ouvrés*) following the distribution date of the notice by Alcatel Lucent, during which the early redemption requests for the OCEANEs must be received by the centralizing agent.

To obtain early redemption of the OCEANEs, holders of OCEANEs must file a request with the financial intermediary holding their OCEANEs in a securities account. Any such demand may not be revoked once it is received by the relevant financial intermediary.

Requests for early redemption and the corresponding OCEANEs must be received by the centralizing agent no later than the fifth French business day (*jours ouvrés*) before the early redemption date.

In such case, the OCEANEs, where an early redemption was requested, will be redeemed at a price equal to par with respect to the 2019 OCEANES, and at a price equal to par plus accrued interests from the last interest payment date to the date set for the early redemption, with respect to the 2018 OCEANEs and the 2020 OCEANEs.

Early Redemption in the Event of Delisting of the Alcatel Lucent Shares

Pursuant to the terms of the securities notes relating to the issue of each of the OCEANEs, the representative of the body (*Masse*) of the OCEANEs of one series (*Représentant de la Masse*) may, upon decision of the General Meeting of the holders of OCEANEs of one series (of that series Nokia will not vote with regard to the OCEANEs if it holds more than 10% of the relevant series of OCEANEs), acting under conditions of quorum and majority provided for by law, by written notice sent to Alcatel Lucent, with a copy to the centralizing agent, request the early redemption of such series of the OCEANEs redeemable at a price equal to par plus, regarding the 2018 OCEANEs and the 2020 OCEANEs, accrued interests from the last interest payment date for each of the OCEANEs until the early redemption date, if (i) Alcatel Lucent Shares cease to be listed on Euronext Paris and are not listed on any other regulated market within the European Union and (ii) the Alcatel Lucent ADSs or Alcatel Lucent Shares cease to be listed on a regulated market in the United States.

As a consequence, such early redemption right may be triggered in connection with the Exchange Offer in the event of implementation of a squeeze-out process for Alcatel Lucent Shares, or of delisting of Alcatel Lucent Shares on Euronext Paris and the Alcatel Lucent ADSs on the NYSE.

Early Redemption of a Series of OCEANEs If the Outstanding OCEANEs of Such Series Represent Less Than 15% of the Issued OCEANEs of any Such Series

Pursuant to the terms of the prospectus relating to the issue of each of the OCEANEs, Alcatel Lucent may, at its option and at any time, subject to advance notice of at least 30 calendar days, redeem at par value plus, regarding the 2018 OCEANEs and the 2020 OCEANEs, accrued interests from the date the interest was last paid, to the date set for the early redemption all of the outstanding 2018 OCEANEs, 2019 OCEANEs or 2020 OCEANEs, if less than 15% of the issued OCEANEs of any such series remain outstanding. If the Exchange Offer is successful, Nokia expressly reserves the right to cause Alcatel Lucent to effect such redemption at any relevant time.

The holders of OCEANEs will retain the ability to exercise their OCEANEs conversion/exchange right up to and including the seventh French business day immediately preceding the early redemption date.

Legal Matters; Regulatory Approvals

General

Nokia is not aware of any governmental license or regulatory permit that appears to be material to Alcatel Lucent's business that might be adversely affected by Nokia's acquisition of Alcatel Lucent Securities pursuant to the Exchange Offer or, except as described below, of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for Nokia's acquisition or ownership of Alcatel Lucent Securities pursuant to the Exchange Offer. Should any of these approvals or other actions be required, Nokia currently contemplates that these approvals or other actions will be sought. There can be no assurance that any of these approvals or other actions, if needed, will be obtained (with or without substantial conditions) or that if these approvals were not obtained or these other actions were not taken adverse consequences might not result to Alcatel Lucent's or Nokia's business.

Regulatory Approvals for the Exchange Offer

Pursuant to the Memorandum of Understanding, the filing of the French Offer with the AMF is conditional on the receipt of approvals (or expiration of the relevant waiting periods) from antitrust or similar authorities in nine jurisdictions identified below. In addition, the filing of the French Offer with the AMF is subject to the authorization of the Ministry of Economy and Finance of the French Republic and the receipt of the required approval of the Committee on Foreign Investment in the United States.

Antitrust Approvals

United States. Under the Hart-Scott-Rodino Act of 1976 (the "HSR"), the Exchange Offer may not be consummated until HSR notifications have been made and the applicable waiting period has expired or been terminated. Nokia and Alcatel Lucent filed their respective HSR notifications for the transaction on May 18, 2015. On June 16, 2015, the United States Department of Justice granted early termination of the HSR waiting period.

European Union. Under the Council Regulation (EC) No. 139/2004 of the Council of the European Union, the Exchange Offer requires notification to and prior approval by the European Commission. Nokia received the European Commission's approval for the Exchange Offer on July 24, 2015.

People's Republic of China. Under the Chinese Anti-Monopoly Law of 2008, the Exchange Offer cannot be completed until it is reviewed and approved by the Ministry of Commerce of the People's Republic of China ("MOFCOM"). On October 19, 2015, Nokia received clearance from MOFCOM for the proposed Acquisition.

Other jurisdictions. The filing of the French Offer with the AMF was also subject to approval or expiration of the relevant waiting periods with respect to the antitrust regulations in Brazil, Canada, India, Japan, Russia and Taiwan. The last of these approvals was received on August 21, 2015.

Other Regulatory Approvals

Exon-Florio/CFIUS. Pursuant to the Exon-Florio Amendment to the Defense Production Act of 1950, 50 U.S.C. App.§2170, as amended, on September 14, 2015, the Committee on Foreign Investment in the United States ("CFIUS") notified Nokia and Alcatel Lucent that there were no unresolved national security concerns regarding the Exchange Offer and its implications for the U.S. operations of Nokia and Alcatel Lucent.

Ministry of Economy, Industry and Digital Sector of the French Republic. In accordance with the French laws and regulations on foreign investments in France (Articles L. 151-1 et al. and R. 153-1 et al. of the French Financial and Monetary Code), Nokia filed an authorization request letter with the Ministry of Economy, Industry and Digital Sector of the French Republic (the "MINEFI") on May 18, 2015. Nokia received MINEFI approval for the Exchange Offer on October 21, 2015.

In its discussions with the French government, Nokia has confirmed that France will play a leading role in the Combined Company's Research and Development (R&D) operations. Nokia will build on the strong competencies in the country within key technology areas, on the existing presence of Alcatel Lucent and its strong engagement in the technology ecosystem in France, and on the excellent new technical talent available from French universities.

In addition to the employed-related commitments described in the section *"The Alcatel Lucent Transaction—Intentions of Nokia over the Next Twelve Months—Intentions of Nokia with Respect to Employment in France"*, Nokia made a certain number of commitments in the context, and subject to, the proposed combination with Alcatel Lucent.

Alcatel Lucent will be represented by three (3) board members in the Combined Company. Nokia will be also listed on Euronext Paris. The Combined Company will establish or keep the adequate legal entities in France and comply with French regulations related to sensitive contracts.

Nokia expects to benefit from becoming a deeply embedded part of France, tapping into and helping develop the technology ecosystem of the country. Nokia will invest further in the digital innovation ecosystem in France following the Completion of the Exchange Offer, primarily through the establishment of a long-term investment fund in the range of EUR 100 million. This fund will mainly target the Internet of Things, cyber-security and software platform enablers for next generation networks.

Nokia intends to support the development of the overall telecom ecosystem in France and to ensure continuity of Alcatel Lucent's current initiatives. This involves playing an active role in the government's "Industry of the Future" program, funding academic tuition, programs and chairs, situating technology experts within France (such as within Bell Labs France), and continuing Alcatel Lucent's involvement in major initiatives such as Pôles de compétitivité Systematic, Cap Digital, and Images and Réseaux. Nokia will also develop three industrial platforms and networks prototypes in France within the fields of 5G, Industrial Internet / Internet of Things connectivity and cyber-security.

Following the Completion of the Exchange Offer, Nokia, which will remain headquartered in Finland, intends to leverage the combined strengths of the companies' strategic business locations and major R&D centers in other countries, including Finland, Germany, the United States and China.

Nokia has committed, upon Completion of the Exchange Offer, to providing regular updates to the French government as the integration of the two companies' progresses.

Banking and Insurance Approvals for the Exchange Offer

Pursuant to the AMF General Regulation, prior to the opening of the French Offer with the AMF, Nokia is required to obtain approvals (or expiration of the relevant waiting periods) from the banking and/or insurance supervisory authorities in Europe (European Central Bank), Luxembourg (*Commissariat aux Assurances*), and Vermont (United States) (Vermont Department of Financial Regulation), as a result of the indirect change of control, if the Exchange Offer is successful, of the French banking company Electro Banque and the Luxembourg reinsurance company Electro Re, both directly wholly-owned subsidiaries of Alcatel Lucent, as well as the Luxembourg insurance company Electro Assurance and the U.S. insurance company First Beacon Insurance Company, both directly wholly-owned subsidiaries of Electro Re. Nokia obtained the approvals of the Vermont Department of Financial Regulation on July 9, 2015, the Commissariat aux Assurances on August 14, 2015, and the European Central Bank on October 20, 2015.

AMF Regulation of the French Offer

Société Générale, acting on Nokia's behalf as presenting bank (*banque présentatrice*) for the French Offer, will file with the AMF a letter containing the material terms of the French Offer and Nokia's draft French Offer Document.

Pursuant to Article 231-13 of the AMF General Regulation, Société Générale, acting as presenting bank (*banque présentatrice*) for the French Offer, guarantees the content and the irrevocable nature of the undertakings made by Nokia in the context of the French Offer.

Following the filing of the French Offer with the AMF, the AMF will publish on its website (www.amf-france.org) the material terms of the French Offer in an official notice.

According to Article 231-16 of the AMF General Regulation, the draft French Offer Document will be made available to the public for free at the registered office of Nokia and at Société Générale, and will be published on the websites of the AMF (www.amf-france.org) and Nokia (http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction). In addition, a public announcement relating to the terms of the French Offer will be issued by Nokia at the date of filing of the French Offer with the AMF.

A draft response document (*projet de note en réponse*) will also be filed by Alcatel Lucent with the AMF. Such draft response document will contain in particular the report of the independent expert appointed by Alcatel Lucent Board of Directors in the context of the French Offer, the reasoned opinion of Alcatel Lucent's Board of Directors on the Exchange Offer and the opinion of Alcatel Lucent's French Group Committee on the Exchange Offer.

Approximately 10 French trading days following the filing of the French Offer with the AMF, the AMF is expected to declare the French Offer compliant with applicable laws and regulations and granted its visa with respect to the French Offer Document and the Alcatel Lucent's French response document.

The French Offer Document and Alcatel Lucent's response document having received the visa of the AMF, and Nokia's and Alcatel Lucent's respective French documents relating, in particular, to Nokia's and Alcatel Lucent's legal, financial and accounting characteristics having made freely available to the public by Nokia and the presenting bank no later than the day before the opening of the French Offer, the French Offer is currently expected to commence one day after the clearance decision of the AMF. These documents will also be made available on the website of the AMF. Prior to the opening of the Exchange Offer, the AMF is expected to publish an opening notice announcing the opening of the French Offer, and Euronext Paris is expected to publish a notice announcing the calendar and the terms and conditions of the French Offer. A public announcement detailing the terms of provision of these documents is also expected to be published.

The French Offer will remain open for a period of 25 French trading days, unless it is extended or terminated earlier in accordance with the AMF General Regulation.

Following the expiration of the French Offer period, the AMF will announce the results of the French Offer (taking into account the results of the U.S. Offer) by a notice which will be published no later than nine French trading days following the expiration of the French Offer period and Euronext Paris will indicate in a notice the date of settlement of the French Offer.

According to Article 232-4 of the AMF General Regulation, if the Exchange Offer is successful and if Nokia holds less than 95% of the share capital and voting rights of Alcatel Lucent, the subsequent offering period will commence in connection with the French Offer within ten French trading days following the publication of the results of the French Offer (taking into account the results of the U.S. Offer) by the AMF, for a period of at least ten French trading days. Prior to the commencement of the subsequent offering period, the AMF will publish a reopening notice.

Following the expiration of the subsequent offering period, the AMF will announce the results of the French Offer (taking into account the results of the U.S. Offer) by a notice which will be published no later than nine French trading days following the expiration date of the subsequent offering period of the French Offer and Euronext Paris will indicate in a notice the date of settlement of the subsequent offering period of the French Offer.

Certain Relationships with Alcatel Lucent and Interests of Nokia in the Exchange Offer

Except as set forth in this Listing Prospectus, neither Nokia nor, after due inquiry and to the best of Nokia's knowledge and belief, any of its directors, executive officers or other affiliates has any contract, arrangement, understanding or relationship with any other person with respect to any securities of Alcatel Lucent, including any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as otherwise described in this Listing Prospectus, there have been no contacts, negotiations or transactions since April 15, 2015, between Nokia, any of Nokia's subsidiaries or, after due inquiry and to the best knowledge and belief of Nokia, any of the members of Nokia's Board of Directors, Nokia Group Leadership Team or the President and Chief Executive Officer of Nokia, and Alcatel Lucent or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, an exchange offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets.

Other than as described below, Nokia does not believe that the Exchange Offer and the squeeze-out will result in a change of control under any of Nokia's stock option plans or any change in control agreement between Nokia and any of its employees. As a result, no other options or equity grants held by such persons will vest as a result of the Exchange Offer or the squeeze-out, if any.

In 2015, Nokia reimbursed Alcatel Lucent EUR 20 000 for the costs of performing a shareholder analysis in accordance with Rule 14d-1 under the U.S. Securities Exchange Act of 1934, in connection with the Exchange Offer. In 2015, Nokia also reimbursed Alcatel Lucent EUR 8 000 for the cost of performing a shareholder analysis in connection with the Exchange Offer for jurisdictions outside the United States.

Interests of Executive Officers and Directors of Alcatel Lucent in the Exchange Offer

Certain members of the Board of Directors and management of Alcatel Lucent participated in determining the terms of the Exchange Offer. These individuals may have certain interests in the Exchange Offer that are different from, or in addition to, the interests of holders of Alcatel Lucent Securities generally and that may have caused them to view the proposed transaction more favorably and/or differently than an investor might.

The Alcatel Lucent Board of Directors is expected to be aware of these interests when it considers the Exchange Offer at the relevant meeting.

Information on the interests of executive officers and directors of Alcatel Lucent in the Exchange Offer will be described in Alcatel Lucent's Solicitation/Recommendation Statement on Schedule 14D-9, which will be filed by Alcatel Lucent with the SEC following the commencement of the Exchange Offer and will be made available on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction.

Treatment of Alcatel Lucent Stock Options and Alcatel Lucent Performance Shares

Alcatel Lucent Stock Options

Holders of Alcatel Lucent Stock Options who wish to tender in the Exchange Offer or the subsequent offering period, if any, must exercise their Alcatel Lucent Stock Options, and Alcatel Lucent Shares must be issued to such holders prior to the Expiration Date or the expiration of the subsequent offering period, as applicable.

Pursuant to the Memorandum of Understanding, Alcatel Lucent agreed to accelerate or waive certain terms of the Alcatel Lucent Stock Options, subject to certain conditions. In respect of holders of Alcatel Lucent Stock Options who elect not to accept the acceleration, the terms and conditions of their Alcatel Lucent Stock Options will remain unchanged, including the performance and presence conditions.

Alcatel Lucent Performance Shares

Alcatel Lucent Performance Shares cannot be tendered in the Exchange Offer or the subsequent offering period, if any, unless such Alcatel Lucent Performance Shares have vested and are transferable prior to the Expiration Date or the expiration of the subsequent offering period, as applicable. Pursuant to the Memorandum of Understanding, Nokia and Alcatel Lucent agreed to implement a mechanism with respect to the unvested Alcatel Lucent Performance Shares granted before April 15, 2015 pursuant to which the beneficiaries may waive their rights to receive Alcatel Lucent Performance Shares in exchange for Alcatel Lucent Shares, subject to certain conditions.

The number of Alcatel Lucent Shares delivered in exchange for the beneficiary's waiver of rights to receive Alcatel Lucent Performance Shares would be equal to the total number of Alcatel Lucent Performance Shares which would be granted to the relevant beneficiary if all presence conditions and performance conditions were fulfilled, minus, in the relevant countries, the number of Alcatel Lucent Shares which have to be sold in order to cover payable tax charges.

However, in respect of performance conditions relating to periods ending prior to the date of acceleration, the Alcatel Lucent Shares will be delivered only to the extent such conditions have been fulfilled in accordance with their terms. In respect of beneficiaries who elect not to accept the acceleration, the terms and conditions of their Alcatel Lucent Performance Shares will remain unchanged, including the performance conditions and the presence conditions. Nokia and Alcatel Lucent agreed however to adjust the performance conditions attached to any such Alcatel Lucent Performance Shares as a result of the closing of the Exchange Offer and Alcatel Lucent amended the terms and conditions of the applicable Alcatel Lucent Performance Shares plans correspondingly.

Liquidity Mechanism

Pursuant to the Memorandum of Understanding, Nokia and Alcatel Lucent have agreed to enter into a liquidity agreement with the holders of Alcatel Lucent Performance Shares allocated after April 15, 2015, pursuant to which, in case of (i) delisting of the Alcatel Lucent Shares, (ii) holding by Nokia, directly or indirectly, of more than 85% of the Alcatel Lucent Shares, or (iii) average daily trading volume of Alcatel Lucent Shares on Euronext Paris falling below five million (5 000 000) Alcatel Lucent Shares for twenty consecutive French trading days, in each case, at the date of expiration of the applicable legal, tax, regulatory or governance constraints or holding periods (the “Lock-Up Period”), all Alcatel Lucent Performance Shares would be automatically exchanged by Nokia into Nokia Shares on the next French trading day after the end of the Lock-Up Period.

The exchange ratio offered in the liquidity agreement would correspond to the exchange ratio of the Exchange Offer, subject to certain adjustments, in case of financial transactions of Nokia or Alcatel Lucent.

STOCK MARKET INFORMATION

Nokia

As of October 20, 2015, 3 678 641 891 Nokia Shares were outstanding (including 53 232 002 Nokia Shares owned by Nokia Group companies and 423 979 329 Nokia Shares represented by Nokia ADSs). Each share entitles the holder to one vote at a General Meeting of Shareholders of Nokia. The shares do not have any nominal value. Nokia Shares are subject to public trading on the Official List of Nasdaq Helsinki under the trading symbol "NOKIA" and Nokia ADSs are traded on the NYSE under the symbol "NOK".

The following tables set forth, for April 13, 2015, the date immediately prior to the public announcement of discussions related to the possible business combination between Nokia and Alcatel Lucent, April 14, 2015, the date immediately prior to the public announcement of the execution of the Memorandum of Understanding and October 20, 2015, the third date prior to the approval of this Listing Prospectus, the reported closing prices for Nokia Shares on Nasdaq Helsinki and the reported closing prices for Nokia ADSs on the NYSE.

	Nasdaq Helsinki	NYSE
April 13, 2015	€ 7.77	$ 8.30
April 14, 2015	€ 7.49	$ 7.96
October 20, 2015	€ 6.12	$ 6.96

The following table sets forth, for the periods indicated, the reported closing prices for Nokia Shares on Nasdaq Helsinki and the reported closing prices for Nokia ADSs on the NYSE.

	Nasdaq Helsinki		NYSE	
	High	Low	High	Low
	(EUR per Nokia Share)		(USD per Nokia ADS)	
Annual highs and lows				
2010	€ 11.69	€ 6.61	$ 15.65	$ 8.02
2011	8.23	3.42	11.73	4.51
2012	4.41	1.37	5.80	1.69
2013	5.97	2.31	8.11	3.07
2014	6.83	5.02	8.66	6.66
2015 (through October 20, 2015)	7.77	5.11	8.30	5.87
Quarterly highs and lows				
2013:				
First quarter	€ 3.49	€ 2.47	$ 4.70	$ 3.26
Second quarter	2.96	2.31	3.93	3.07
Third quarter	4.95	2.93	6.71	3.83
Fourth quarter	5.97	4.72	8.11	6.49
2014:				
First quarter	€ 5.96	€ 5.02	$ 8.18	$ 6.66
Second quarter	5.97	5.14	8.33	7.03
Third quarter	6.82	5.38	8.66	7.38
Fourth quarter	6.83	6.03	8.51	7.67
2015:				
First quarter	€ 7.35	€ 6.37	$ 8.08	$ 7.43
Second quarter	7.77	5.71	8.30	6.38
Third quarter	6.43	5.11	7.05	5.87
Fourth quarter (through October 20, 2015)	6.25	5.99	7.07	6.68

	Nasdaq Helsinki High (EUR per Nokia Share)		Nasdaq Helsinki Low (EUR per Nokia Share)		NYSE High (USD per Nokia ADS)		NYSE Low (USD per Nokia ADS)
Monthly highs and lows							
2015:							
April	€	7.77	€	6.04	$	8.30	$ 6.58
May		6.79		5.71		7.38	6.38
June		6.67		6.09		7.36	6.85
July		6.43		5.94		7.05	6.32
August		6.39		5.10		6.93	5.87
September		6.10		5.47		6.78	6.11
October (through October 20, 2015)		6.25		5.99		7.07	6.68

Alcatel Lucent

As of September 30, 2015, 2 838 984 750 Alcatel Lucent Shares were outstanding, including 40 115 200 Alcatel Lucent Shares held in treasury by Alcatel Lucent and including the Alcatel Lucent Shares represented by Alcatel Lucent ADSs. As of June 30, 2015, 499 863 626 Alcatel Lucent Shares were represented by Alcatel Lucent ADSs. As of September 30, 2015, the number of 2018 OCEANEs outstanding was 349 413 680, the number of 2019 OCEANEs outstanding was 167 500 000, and the number of 2020 OCEANEs outstanding was 114 499 995..

The following tables set forth, for April 13, 2015, the date immediately prior to the public announcement of discussions related to the possible business combination between Nokia and Alcatel Lucent, April 14, 2015, the date immediately prior to the public announcement of the execution of the Memorandum of Understanding and October 20, 2015, the third date prior to the approval of this Listing Prospectus, the reported closing prices for Alcatel Lucent Shares on Euronext Paris, the reported closing prices for Alcatel Lucent ADSs on the NYSE and the latest reasonably available quotations for the OCEANEs on Euronext Paris.

	Alcatel Lucent Share Closing Price	Alcatel Lucent ADS Closing Price
April 13, 2015	€ 3.86	$ 4.35
April 14, 2015	€ 4.48	$ 4.93
October 20, 2015	€ 3.32	$ 3.75

	2018 OCEANEs	2019 OCEANEs	2020 OCEANEs
April 13, 2015	€ 4.24	€ 4.83	€ 4.84
April 14, 2015	€ 5.39	€ 5.61	€ 5.66
October 20, 2015	€ 4.19	€ 4.43	€ 4.42

The following tables set forth, for the periods indicated, the reported closing prices for Alcatel Lucent Shares on Euronext Paris and the reported closing prices for Alcatel Lucent ADSs on the NYSE.

	Euronext Paris High (EUR per Alcatel Lucent Share)		Euronext Paris Low (EUR per Alcatel Lucent Share)		NYSE High (USD per Alcatel Lucent ADS)		NYSE Low (USD per Alcatel Lucent ADS)
Annual highs and lows							
2010	€	2.54	€	1.78	$	3.78	$ 2.36
2011		4.20		1.05		6.54	1.39
2012		1.85		0.68		2.60	0.93
2013		3.36		0.96		4.57	1.28
2014		3.40		1.80		4.61	2.36
2015 (through October 20, 2015)		4.48		2.76		4.93	3.13

	Euronext Paris High (EUR per Alcatel Lucent Share)	Euronext Paris Low (EUR per Alcatel Lucent Share)	NYSE High (USD per Alcatel Lucent ADS)	NYSE Low (USD per Alcatel Lucent ADS)
Quarterly highs and lows				
2013:				
First quarter	€ 1.24	€ 0.97	$ 1.75	$ 1.30
Second quarter	1.42	0.96	1.94	1.28
Third quarter	2.55	1.29	3.65	1.76
Fourth quarter	3.36	2.24	4.87	3.22
2014:				
First quarter	€ 3.40	€ 2.70	$ 4.61	$ 3.69
Second quarter	3.04	2.61	4.16	3.53
Third quarter	2.85	2.38	3.84	3.03
Fourth quarter	3.00	1.87	3.71	2.36
2015:				
First quarter	€ 3.71	€ 2.78	$ 3.92	$ 3.24
Second quarter	4.48	3.10	4.93	3.40
Third quarter	3.45	2.76	3.75	3.13
Fourth quarter (through October 20, 2015)	3.35	3.23	3.79	3.59
Monthly highs and lows				
2015:				
April	€ 4.48	€ 3.15	$ 4.93	$ 3.49
May	3.66	3.10	3.95	3.40
June	3.64	3.27	3.97	3.62
July	3.45	3.10	3.75	3.38
August	3.43	2.76	3.70	3.13
September	3.28	2.93	3.65	3.23
October (through October 20, 2015)	3.35	3.23	3.79	3.59

COMPARATIVE DATA

The following table presents, for the periods indicated, selected historical financial information and per share data for Nokia and Alcatel Lucent and selected pro forma financial information and per share data. Nokia's and Alcatel Lucent's historical financial information and per share amounts are presented in euros.

The unaudited pro forma condensed combined financial information and pro forma per share data for the year ended December 31, 2014 and six months ended June 30, 2015 assumes and gives effect to the Exchange Offer as if it was completed on January 1, 2014 and presents Nokia's HERE business as a discontinued operation to give pro forma effect to the sale of Nokia's HERE business. The Acquisition is expected to be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3, Business Combinations ("IFRS 3") with Nokia considered as the acquirer of Alcatel Lucent.

Shareholders and potential investors should read this information in conjunction with, and this information is qualified in its entirety by, the consolidated financial statements and accompanying notes of Nokia, which are incorporated by reference into this Listing Prospectus, the consolidated financial statements and accompanying notes of Alcatel Lucent, which are included in Annex A or incorporated by reference into this Listing Prospectus, and the unaudited pro forma condensed combined financial statements and accompanying notes included in the section "*Unaudited Pro Forma Condensed Combined Financial Information*" of this Listing Prospectus. The pro forma amounts in the following table are presented for information purposes only. Shareholders and potential investors should not rely on the pro forma amounts as being indicative of the financial position or results of operations of the Combined Company that would have actually occurred had the Exchange Offer been effective and the sale of Nokia's HERE business occurred as at or during the period presented or of the future financial position or future results of operations of the Combined Company. The combined financial information for the periods presented may have been different had the companies actually been combined and the sale of Nokia's HERE business occurred as at and during those periods. In addition, the Unaudited Pro Forma Financial Information does not reflect any expected cost savings, synergies, restructuring actions, non-recurring items or one-time transaction related costs that Nokia, Alcatel Lucent or the Combined Company expect to incur or generate.

	Year Ended December 31, 2014	Six Months Ended June 30, 2015
Profit/(loss) from continuing operations:		
Nokia historical	€ 1 171	€ 533
Alcatel Lucent historical	(34)	(122)
Pro forma[1]	2 246	184
Dividend per share:		
Nokia historical	0.14	-
Alcatel Lucent historical	-	-
Book value per share:		
Nokia historical[2]	2.33	2.46
Alcatel Lucent historical[2]	0.67	0.88
Pro forma[3]	N/A	3.85
Earnings per share from continuing operations (basic):		
Nokia historical	0.31	0.15
Alcatel Lucent historical	(0.02)	(0.04)
Pro forma[1]	0.39	0.03
Earnings per share from continuing operations (diluted):		
Nokia historical	0.30	0.14
Alcatel Lucent historical	(0.02)	(0.04)
Pro forma[1]	0.37	0.03

[1] Derived from the unaudited pro forma condensed combined financial information included in the section "*Unaudited Pro Forma Condensed Combined Financial Information*".
[2] Book value per share represents equity applicable to equity holders of the parent divided by the weighted average shares outstanding for the period.
[3] Pro forma book value per share at June 30, 2015 represents the pro forma capital and reserves attributable to equity holders of the parent of EUR 21 742 million divided by the pro forma weighted number of outstanding shares in issue -basic of 5 640 929 000 shares which can be derived from the unaudited pro forma condensed combined financial information included in the section "*Unaudited Pro Forma Condensed Combined Financial Information*".

CAPITALIZATION AND INDEBTEDNESS OF NOKIA

The following table sets forth Nokia Group's capitalization and indebtedness (a) as at June 30, 2015 derived from the unaudited interim report of Nokia for the six months ended on June 30, 2015 and (b) on a pro forma basis illustrating the effect of the Exchange Offer as if it had occurred on June 30, 2015. This table should be read together with Nokia's Interim Report and other consolidated financial statements, all of which are incorporated by reference into this Listing Prospectus, as well as the following sections: "*Operating and Financial Review and Prospects—Nokia*", including "—*Liquidity and Capital Resources*" and the section "*Unaudited Pro Forma Condensed Combined Financial Information*".

Since June 30, 2015, there have not been any material changes in Nokia's capitalization or indebtedness up until the date of this Listing Prospectus.

EUR million	**As of June 30, 2015 Actual (unaudited)**	**As of June 30, 2015 Pro forma[1] (unaudited)**
Capitalization		
Short-term interest-bearing liabilities	103	2 556
Unguaranteed/Unsecured	103	
Guaranteed/Secured	-	
Long-term interest-bearing liabilities	2 685	4 306
Unguaranteed/Unsecured	2 685	
Guaranteed/Secured	-	
Total interest-bearing liabilities	**2 788**	**6 862**
Shareholders' equity		
Share capital	246	
Share issue premium	401	
Treasury shares at cost	(731)	
Translation differences	1 395	
Fair value and other reserves	168	
Reserve for invested non-restricted equity	3 081	
Retained earnings	4 359	
Capital and reserves attributable to equity holders of the parent	**8 919**	**21 742**
Non-controlling interest	59	938
Total equity	**8 979**	**22 681**
Total shareholders' equity and interest-bearing liabilities	**11 767**	**29 543**
Net indebtedness		
Cash and cash equivalents	3 983	10 530
Available-for-sale investments, liquid assets	2 065	3 834
Investments at fair value through profit and loss, liquid assets	570	570
Liquidity	**6 618**	**14 934**
Current portion of long-term interest bearing liabilities	1	2 097
Short-term borrowings	102	459
Total short-term interest bearing liabilities	**103**	**2 556**
Net current financial indebtedness (net cash)	**6 515**	**12 378**
Long-term interest-bearing liabilities	2 685	4 306
Net financial indebtedness (net cash)	**3 830**	**8 072**

[1] For information on the pro forma adjustments and the basis for preparing the information set forth in this column, refer to the section "*Unaudited Pro Forma Condensed Combined Financial Information*".

On October 8, 2015, Nokia announced that it had decided to exercise its option to redeem its EUR 750 million Convertible Bond due in 2017 on November 26, 2015. If the Convertible Bond is converted into Nokia Shares in its entirety, which would occur by November 17, 2015, at the current conversion price of EUR 2.39 per Nokia Share, approximately 313 723 849 Nokia Shares (assuming full conversion) would be issued. These Nokia Shares would represent approximately 5.2% of the issued and outstanding Nokia Shares after Completion of the Exchange Offer (assuming that all Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any). The pro forma column above has not been adjusted for the impact of this decision of early redemption of the Convertible Bond. Refer to the section "*Shares and Share Capital of Nokia—Other Special Rights Entitling to Shares—Convertible Bond*" for more information about the Convertible Bond.

For information on Nokia's contractual, contingent and off-balance sheet liabilities, refer to the sections "*Operating and Financial Review—Nokia—Liquidity and Capital Resources—Commitments and Contingencies*", "*—Contractual Obligations*" and "*—Off-balance Sheet Liabilites*".

DIVIDENDS AND DIVIDEND POLICY

Nokia

Nokia does not have a quantitative distribution policy but it does generally view annual dividends as an important mechanism to return capital and value to its shareholders. The dividend distribution of Nokia will continue to be determined by Nokia's Board of Directors as regards the Company's distribution capabilities, past and future financial performance, financial position and the needs for the Company.

Under the Finnish Companies Act (624/2006, as amended), the General Meeting of Shareholders decides on the distribution of dividends based on a proposal by a company's Board of Directors. Dividends are generally declared once every financial year and may be paid only after the General Meeting of Shareholders has approved the company's financial statements. For a description of the restrictions applicable to dividend distributions, refer to "*Shares and Share Capital—Nokia—Shareholder Rights—Dividend and Distribution of Other Unrestricted Equity*".

For the financial year ended December 31, 2014, Nokia paid dividends in the amount of EUR 0.14 per share (EUR 0.11 per share and an additional special dividend of EUR 0.26 per share in 2013, no dividend in 2012).

As to the tax considerations for certain shareholders applicable to dividends, refer to the section "*Taxation*".

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

No dividends have been distributed in the six previous fiscal years.

Dividends not claimed within five years are turned over to the French Treasury.

The dividend policy is defined by Alcatel Lucent's Board of Directors following an analysis, in particular, of Alcatel Lucent Group's financial position and earnings and taking into account its capital requirements and performance, current and future returns, and market practices in relation to distribution of dividends, especially in the sector of activity within which Alcatel Lucent operates. In the light of Alcatel Lucent's financial results, investment needs and requirements in terms of debt management, Alcatel Lucent may decide to adjust a dividend distribution, or to not distribute a dividend.

At its meeting of February 5, 2015 Alcatel Lucent's Board of Directors recommended to pay no dividend for fiscal year 2014.

For more information about Alcatel Lucent's dividends and dividend policy, refer to section "*Listing and shareholdings—Stock exchange information—Dividends and performance*" on page A-180 of Annex A.

SELECTED FINANCIAL INFORMATION

The following tables set out selected consolidated financial information for Nokia. This information is qualified by reference to, and should be read in conjunction with, Nokia's consolidated financial statements and the notes thereto for the years ended December 31, 2014, 2013 and 2012 and the unaudited interim report for the six months ended on June 30, 2015, all of which are incorporated by reference herein, as well as the section "Operating and Financial Review and Prospects—Nokia". The selected consolidated historical income statement and statement of cash flow data for the years ended December 31, 2014, 2013 and 2012 and the consolidated statement of financial position data as of December 31, 2014, 2013 and 2012 have been derived from Nokia's audited consolidated financial statements for the respective years, prepared in accordance with the IFRS. The selected consolidated historical income statement and statement of cash flow data for the six month periods ended June 30, 2015 and 2014 and the consolidated statement of financial position as of June 30, 2015 have been derived from Nokia's unaudited interim report for the six months ended on June 30, 2015 prepared in accordance with IFRS.

In September 2013, Nokia announced the sale of substantially all of its Devices & Services Business to Microsoft. Subsequent to the approval for the sale received in the Extraordinary General Meeting in November 2013, Nokia Group has presented Devices & Services Business as discontinued operations. The sale was completed on April 25, 2014. In the consolidated income statement for the year 2013, the financial results of the Devices & Services Business were reported as discontinued operations separately from the continuing operations. The income statement information for the year 2012 were restated accordingly. As of January 1, 2013, Nokia adopted new revised IAS 19 Employee Benefits standard. As a result, the net pension liabilities and other comprehensive income were impacted mainly by the retrospectively applied elimination of the 'corridor' approach and financial information for the year 2012 were adjusted accordingly. Thus, the restated information for the year 2012 presented in the following tables is unaudited.

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. HERE has been reported as part of Nokia's continuing operations in the consolidated financial information for the financial years ended December 31, 2014, 2013 and 2012 and for the six months ended June 30, 2015. For the illustrative effect of this transaction on Nokia's financial information, refer to "Unaudited Pro Forma Condensed Combined Financial Information".

Nokia

Selected Historical Consolidated Financial Information for Nokia

	Year ended December 31,			Six months ended June 30,	
	2014	2013	2012	2015	2014
	(audited)	(audited)	(unaudi-ted)	(unaudited)	
CONSOLIDATED INCOME STATEMENT	*(in EUR million, except for shares outstanding and earnings per share)*			*(in EUR million, except for shares outstanding and earnings per share)*	
Net Sales	**12 732**	**12 709**	**15 400**	**6 405**	**5 606**
Cost of Sales	(7 094)	(7 364)	(9 841)	(3 512)	(3 099)
Gross profit	**5 638**	**5 345**	**5 559**	**2 892**	**2 506**
Research and development expenses	(2 493)	(2 619)	(3 081)	(1 354)	(1 169)
Selling, general and administrative expenses	(1 634)	(1 671)	(2 062)	(875)	(766)
Impairment of goodwill	(1 209)	-	-	0	0
Other income and expenses	(131) [1]	(536) [2]	(1237) [3]	81	(45)
Operating profit/(loss)	**170**	**519**	**(821)**	**745**	**526**
Share of results of associated companies	(12)	4	(1)	14	(6)
Financial income and expenses	(395)	(280)	(357)	(49)	(335)
Profit/(loss) before tax	**(237)**	**243**	**(1 179)**	**710**	**185**
Income tax (expense)/benefit	1 408	(202)	(304)	(177)	(102)
Profit/(loss) from continuing operations	**1 171**	**41**	**(1 483)**	**533**	**84**
Attributable to:					
Equity holders of the parent	1 163	186	(771)	531	80
Non-controlling interests	8	(145)	(712)	2	4
(Loss)/profit from discontinued operations	**2 305**	**(780)**	**(2 303)**	**(7)**	**2 198**
Attributable to:					
Equity holders of the parent	2 299	(801)	(2 334)	(7)	2 192
Non-controlling interests	6	21	31	0	6
Profit/(loss)	**3 476**	**(739)**	**(3 786)**	**526**	**2 282**
Attributable to:					
Equity holders of the parent	3 462	(615)	(3 105)	524	2 272
Non-controlling interests	14	(124)	(681)	2	10
Earnings per share					
Basic earnings per share (in EUR)					
Continuing operations	0.31	0.05	(0.21)	0.15	0.02
Discontinued operations	0.62	(0.22)	(0.63)	0.00	0.59
Profit/(loss)	0.94	(0.17)	(0.84)	0.14	0.61
Diluted earnings per share (in EUR)					
Continuing operations	0.30	0.05	(0.21)	0.14	0.02
Discontinued operations	0.56	(0.22)	(0.63)	0.00	0.52
Profit/(loss)	0.85	(0.17)	(0.84)	0.14	0.54
Average number of shares ('000 shares)					
Basic					
Continuing operations	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Discontinued operations	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523
Profit/(loss)	3 698 723	3 712 079	3 710 845	3 631 929	3 713 523

Diluted					
Continuing operations	4 131 602	3 733 364	3 710 845	3 952 185	3 732 608
Discontinued operations	4 131 602	3 712 079	3 710 845	3 952 185	4 254 600
Profit/(loss)	4 131 602	3 712 079	3 710 845	3 952 185	4 254 600

[1] Consist of "Other income" of EUR 136 million and "Other expenses" of EUR (268) million.
[2] Consist of "Other income" of EUR 272 million and "Other expenses" of EUR (808) million.
[3] Consist of "Other income" of EUR 276 million and "Other expenses" of EUR (1 513) million.

	Year ended December 31,			**Six months ended June 30,**	
	2014	**2013**	**2012**	**2015**	**2014**
	(audited)	**(audited)**	**(unaudited)**	**(unaudited)**	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	*(in EUR million)*			*(in EUR million)*	
Profit/(loss)	**3 476**	**(739)**	**(3 786)**	**526**	**2 282**
Other comprehensive income/(expense)					
Items that will not be reclassified to profit or loss:					
Remeasurements on defined benefit plans	(275)	83	(228)	104	(130)
Income tax related to items that will not be reclassified to profit or loss	96	(3)	22	(29)	(14)
Items that may be reclassified subsequently to profit or loss:					
Translation differences	820	(496)	41	427	178
Net investment hedges	(167)	114	(58)	(161)	(3)
Cash flow hedges	(30)	3	(41)	3	(41)
Available-for-sale investments	106	49	35	71	4
Other increase, net	40	5	10	2	40
Income tax related to items that may be reclassified subsequently to profit or loss	16	1	12	31	(37)
Other comprehensive income/(expense), net of tax	**606**	**(244)**	**(207)**	**448**	**(3)**
Total comprehensive income	**4 082**	**(983)**	**(3 993)**	**974**	**2 279**
Attributable to:					
Equity holders of the parent	4 061	(863)	(3 281)	968	2 273
Non-controlling interests	21	(120)	(712)	6	6
	4 082	**(983)**	**(3 993)**	**974**	**2 279**
Attributable to equity holders of the parent:					
Continuing operations	1 563	34	(831)	975	(120)
Discontinued operations	2 498	(897)	(2 450)	(7)	2 393
	4 061	(863)	(3 281)	968	2 273
Attributable to non-controlling interests:					
Continuing operations	16	(139)	(740)	6	3
Discontinued operations	5	19	28	0	3
	21	**(120)**	**(712)**	**6**	**6**

	As of December 31,			As of June 30,
	2014 (audited)	**2013 (audited)**	**2012 (unaudited)**	**2015 (unaudited)**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		*(in EUR million)*		*(in EUR million)*
ASSETS				
Goodwill	2 563	3 295	4 876	2 783
Other intangible assets	350	296	647	341
Property, plant and equipment	716	566	1 431	786
Investments in associated companies	51	65	58	69
Available-for-sale investments	828	741	689	1 018
Deferred tax assets	2 720	890	1 279	2 721
Long-term loans receivable	34	96	125	48
Prepaid pension costs[1]	30	38	152	29
Other non-current assets[1]	47	61	66	43
Non-current assets	**7 339**	**6 048**	**9 323**	**7 837**
Inventories	1 275	804	1 538	1 368
Accounts receivable, net of allowances for doubtful accounts	3 430	2 901	5 551	3 602
Prepaid expenses and accrued income	913	660	2 682	944
Current income tax assets	124	146	495	200
Current portion of long-term loans receivable	1	29	35	2
Other financial assets	266	285	451	121
Investments at fair value through profit and loss, liquid assets	418	382	415	570
Available-for-sale investments, liquid assets	2 127	956	542	2 065
Cash and cash equivalents[2]	5 170	7 633	8 952	3 983
Current assets	**13 724**	**13 796**	**20 661**	**12 855**
Assets held for sale	-	89	-	0
Assets of disposal groups classified as held for sale	-	5 258	-	-
Total assets	**21 063**	**25 191**	**29 984**	**20 693**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Capital and reserves attributable to equity holders of the parent				
Share capital	246	246	246	246
Share issue premium	439	615	446	401
Treasury shares at cost	(988)	(603)	(629)	(731)
Translation differences	1 099	434	746	1 395
Fair value and other reserves	22	80	(5)	168
Reserve for invested non-restricted equity	3 083	3 115	3 136	3 081
Retained earnings	4 710	2 581	3 997	4 359
Capital and reserves attributable to equity holders of the parent	**8 611**	**6 468**	**7 937**	**8 919**
Non-controlling interests	58	192	1 302	59
Total equity	**8 669**	**6 660**	**9 239**	8 979
Long-term interest-bearing liabilities	2 576	3 286	5 087	2 685
Deferred tax liabilities	32	195	701	75
Deferred revenue and other long-term liabilities	2 197	630	997	2 001

Provisions	301	242	304	259
Non-current liabilities	**5 106**	**4 353**	**7 089**	**5 019**
Current portion of long-term interest-bearing liabilities	1	3 192	201	1
Short-term borrowings	115	184	261	102
Other financial liabilities	174	35	90	122
Current income tax liabilities	481	484	499	484
Accounts payable	2 313	1 842	4 394	1 919
Accrued expenses, deferred revenue and other liabilities	3 632	3 033	6 223	3 560
Provisions	572	680	1 988	507
Current liabilities	**7 288**	**9 450**	**13 656**	**6 695**
Liabilities of disposal groups classified as held for sale	0	4 728	-	0
Total shareholders' equity and liabilities	**21 063**	**25 191**	**29 984**	**20 693**

[1] Prepaid pension costs previously reported under "Other non-current assets" are reported separately starting from June 30, 2015. The information for prior periods presented has been adjusted accordingly.
[2] As of June 30, 2015, "Bank and cash" and "Available for sale investments, cash equivalents" are reported as a single line item "Cash and cash equivalents". The information for prior periods presented has been adjusted accordingly.

	Year ended December 31,			**Six months ended June 30,**	
	2014	**2013**	**2012**	**2015**	**2014**
		(audited)		**(unaudited)**	
CONSOLIDATED STATEMENT OF CASH FLOWS		*(in EUR million)*		*(in EUR million)*	
Net cash from/(used in) operating activities	1 275	72	(354)	(457)	652
Net cash from/(used in) investing activities	886	(691)	562	(244)	1 171
Net cash used in financing activities	(4 576)	(477)	(465)	(522)	(2 786)
Foreign exchange adjustment	(48)	(223)	(27)	36	(59)
Net increase/decrease in cash and equivalents	(2 463)	(1 319)	(284)	(1 187)	(1 022)
Cash and cash equivalents at beginning of period	7 633	8 952	9 236	5 170	7 633
Cash and cash equivalents at end of period	5 170	7 633	8 952	3 983	6 611

Key Ratios

	Year ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
		(unaudited)		**(unaudited)**	
Key ratios at December 31, Continuing operations					
Earnings per share for profit attributable to equity holders of parent					
Earnings per share, basic, EUR	0.31[1]	0.05[1]	(0.21)	0.15	0.02
Earnings per share, diluted, EUR	0.30[1]	0.05[1]	(0.21)	0.14	0.02
P/E ratio, basic	21.16	116.40	neg.	40.60	276.50
Dividend per share, EUR	0.14	0.37	0	N/A	N/A
Total dividends paid, EURm	511	1 374	0	N/A	N/A
Payout ratio, basic	0.45	7.40	0	N/A	N/A
Dividend yield, %	2.13	6.36	0	N/A	N/A
Shareholders' equity per share, EURm	2.36	1.74	2.14	2.46	1.96
Market capitalization, EURm	23 932	21 606	10 873	22 070	20 539

[1] Earnings per share (basic and diluted) for the years ended December 31, 2014 and 2013 are audited.

Earnings per share, basic, EUR

$$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Average adjusted number of shares during the year}}$$

P/E ratio, basic

$$\frac{\text{Closing share price at December 31}}{\text{Earnings per share (basic) for Continuing operations}}$$

Payout ratio

$$\frac{\text{Dividend per share}}{\text{Earnings per share (basic) for Continuing operations}}$$

Dividend yield

$$\frac{\text{Dividend per share}}{\text{Closing share price at December 31}}$$

Shareholders' equity per share

$$\frac{\text{Capital and reserves attributable to equity holders of the parent}}{\text{Number of shares at December 31—number of treasury shares at December 31}}$$

Market capitalization

(Number of shares at December 31—number of treasury shares at December 31) x closing share price at December 31

Significant Change in Financial Condition or Operating Results

In November 2011, Nokia Networks announced its strategy to focus on mobile broadband and services. It also announced an extensive global restructuring program that ultimately resulted in the reduction of its annualized operating expenses and production overhead by over EUR 1.5 billion when the program was completed at the end of 2013. As part of its strategy of focusing on mobile broadband, Nokia Networks also divested a number of non-core businesses.

Beginning in 2013, Nokia undertook a series of transactions to transform its business portfolio. On July 1, 2013, Nokia announced the agreement to acquire Siemens' 50% stake in the companies' joint venture Nokia Siemens Networks. The purchase price was EUR 1.7 billion and the transaction closed on August 7, 2013. On September 3, 2013, Nokia announced that it had signed an agreement to sell its Devices & Services Business to Microsoft for a total purchase price of EUR 5.44 billion, of which EUR 3.79 billion related to the Sale of the Devices & Services Business and EUR 1.65 billion related to a mutual patent license agreement. In conjunction with the transaction, Nokia established the Nokia Technologies business to focus on technology development and intellectual property rights activities. The transaction significantly strengthened the Company's financial position and subsequent to the transaction, in 2014, Nokia started the optimization of its capital structure and recommenced dividend payments, distributed excess capital to shareholders and reduced its interest-bearing debt.

On April 15, 2015, Nokia continued its transformation with the announcement that it had signed an agreement to acquire Alcatel Lucent through the Exchange Offer on the basis of 0.55 Nokia Shares for each Alcatel Lucent Share. In conjunction with this announcement, Nokia announced that it has suspended its capital structure optimization program effective immediately. On August 3, 2015, Nokia announced an agreement to sell HERE to an automotive industry consortium and estimates that it will receive net proceeds of slightly above EUR 2.5 billion.

Sufficiency of Working Capital

In the opinion of Nokia's management, the working capital available to Nokia is sufficient to cover its present needs for the next 12 months following the date of this Listing Prospectus.

In order to evaluate Nokia's working capital needs after the Acquisition, Nokia has prepared financial projections assuming the combination of Nokia and Alcatel Lucent and excluding the HERE business. Based on these financial projections, Nokia anticipates that the combination of Nokia and Alcatel Lucent will not adversely impact the sufficiency of working capital for the Combined Company.

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Selected Historical Consolidated Financial Information for Alcatel Lucent

For information about Alcatel Lucent's selected historical consolidated financial information, refer to the sections "*Alcatel-Lucent consolidated financial statements at December 31, 2014*" of the Alcatel Lucent Annual Report on pages A-197 to A-201 of Annex A and "*Alcatel-Lucent Unaudited Interim Condensed Consolidated Financial Statements at June 30, 2015*" of the Alcatel Lucent Interim Report on pages A-438 to A-444 of Annex A.

Significant Change in the Financial Condition or Operating Results

On June 19, 2013, Alcatel Lucent announced the Shift Plan, a detailed three-year plan to transform itself into a specialist provider of IP and Cloud Networking and Ultra-Broadband Access. As part of this process, effective from July 1, 2013, Alcatel Lucent implemented a new organization composed of three reportable segments: Core Networking, Access and Other.

The Shift Plan has targeted investments in Core Networking businesses (including IP Routing, IP Transport, IP Platforms and associates services), increasing segment operating cash flow from the Access segment, and technological partnerships. The Shift Plan has also focused on market diversification and rightsizing Alcatel Lucent's cost structure. In particular, the Shift Plan aims to reduce Alcatel Lucent's fixed-cost base by EUR 950 million in 2015 compared to its 2012 cost base. Alcatel Lucent has stated that it expects that the cumulative amount of restructuring cash outlays pursuant to the Shift Plan should be approximately EUR 1.8 billion, of which approximately EUR 1.4 billion will be incurred between 2013 and 2015, with the remainder in 2016.

In addition, Alcatel Lucent has completed multiple dispositions as part of the Shift Plan and re-profiled and reduced the financial debt of the company.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information (the "Unaudited Pro Forma Financial Information") is presented for illustrative purposes only to give effect to the acquisition of Alcatel Lucent and the sale of Nokia's HERE business. The Unaudited Pro Forma Financial Information includes the historical results presented in accordance with IFRS of Nokia and Alcatel Lucent. For additional information on the historical results of Nokia or Alcatel Lucent, refer to the audited historical consolidated financial information and the unaudited interim condensed consolidated financial information included in Annex A or incorporated by reference into this Listing Prospectus.

- On April 15, 2015, Nokia and Alcatel Lucent entered into the Memorandum of Understanding pursuant to which and subject to its terms and conditions, Nokia is conducting the Exchange Offer. It is expected that if all Alcatel Lucent Shares and Alcatel Lucent ADSs are tendered into the Exchange Offer, Nokia would issue Nokia Shares in exchange (including Nokia Shares represented by Nokia ADSs) with an aggregate estimated fair value of EUR 9 882 million based on the July 31, 2015 closing price of the Nokia Shares on Nasdaq Helsinki. As part of the Exchange Offer, Nokia is offering to exchange each issued and outstanding Alcatel Lucent Share and each issued and outstanding Alcatel Lucent ADS for either 0.55 Nokia Shares or 0.55 Nokia ADSs, as further described in this Listing Prospectus.
- In addition, as a part of the Exchange Offer, Nokia is offering to exchange each issued and outstanding OCEANE, for consideration equivalent to that offered to the holders of Alcatel Lucent Shares and Alcatel Lucent ADSs, based on the change of control conversion/exchange ratio applicable to each such series of the OCEANEs. The aggregate face value of the OCEANEs subject to the Exchange Offer was EUR 1 778 million as of June 30, 2015. It is expected that if all OCEANEs are tendered into the Exchange Offer, Nokia would issue Nokia Shares in exchange (including Nokia Shares represented by Nokia ADSs) with an aggregate estimated fair value of EUR 2 815 million, based on the July 31, 2015 closing price of the Nokia Shares on Nasdaq Helsinki.
- The total costs and expenses expected to be incurred in connection with the transactions contemplated by the Exchange Offer by Nokia and Alcatel Lucent are estimated to range between EUR 110 million and EUR 140 million, and are primarily comprised of financial, legal and advisory costs.

Alcatel Lucent Stock Options

- Holders of options to acquire Alcatel Lucent Shares who wish to tender in the Exchange Offer or the subsequent offering period, if any, must exercise their Alcatel Lucent Stock Options, and Alcatel Lucent Shares must be issued to such holders prior to the Expiration Date or the expiration of the subsequent offering period, as applicable.
- Pursuant to the Memorandum of Understanding, Alcatel Lucent agreed to accelerate or waive certain terms of the Alcatel Lucent Stock Options, subject to certain conditions.
- In respect of holders of Alcatel Lucent Stock Options who elect not to accept the acceleration, the terms and conditions of their Alcatel Lucent Stock Options will remain unchanged, including the performance and presence conditions.

Alcatel Lucent Performance Shares

- Alcatel Lucent Performance Shares cannot be tendered in the Exchange Offer or the subsequent offering period, if any, unless such Alcatel Lucent Performance Shares have vested and are transferable prior to the Expiration Date or the expiration of the subsequent offering period, as applicable. Pursuant to the Memorandum of Understanding, Nokia and Alcatel Lucent agreed to implement a mechanism with respect to the unvested Alcatel Lucent Performance Shares granted before April 15, 2015 pursuant to which the beneficiaries may waive their rights to receive Alcatel Lucent Performance Shares in exchange for Alcatel Lucent Shares, subject to certain conditions.
- The number of Alcatel Lucent Shares delivered in exchange for the beneficiary's waiver of rights to receive Alcatel Lucent Performance Shares would be equal to the total number of Alcatel Lucent Performance Shares which would be granted to the relevant beneficiary if all presence conditions and performance conditions

were fulfilled, minus, in the relevant countries, the number of Alcatel Lucent Shares which have to be sold in order to cover payable tax charges. However, in respect of performance conditions relating to periods ending prior to the date of acceleration, the Alcatel Lucent Shares will be delivered only to the extent such conditions have been fulfilled in accordance with their terms.

- In respect of beneficiaries who elect not to accept the acceleration, the terms and conditions of their Alcatel Lucent Performance Shares will remain unchanged, including the performance conditions and the presence conditions. Nokia and Alcatel Lucent agreed however to adjust the performance conditions attached to any such Alcatel Lucent Performance Shares as a result of the closing of the Exchange Offer and Alcatel Lucent amended the terms and conditions of the applicable Performance Share plans correspondingly.

Sale of HERE

- On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies (the "HERE transaction"). Nokia estimates that it will receive net proceeds of slightly above EUR 2.5 billion at the closing of the HERE transaction expected to occur in the first quarter of 2016, subject to customary closing conditions and regulatory approvals.
- Nokia expects to book a gain on the HERE transaction including a related release of cumulative foreign exchange translation differences of approximately EUR 1.0 billion as a result of the HERE transaction. HERE has been a separate operating and reportable segment for financial reporting purposes and Nokia plans to report HERE as a discontinued operation from the third quarter of 2015 onwards.

Basis of Presentation

The acquisition of Alcatel Lucent will be accounted for as a business combination using the acquisition method of accounting under the provisions of IFRS 3, Business Combinations ("IFRS 3") with Nokia considered as the acquirer of Alcatel Lucent. The IFRS 3 acquisition method of accounting applies the fair value concepts defined in IFRS 13, Fair Value Measurement ("IFRS 13") and requires, among other things, that the identifiable assets acquired and liabilities assumed in a business combination are recognized at their fair values as of the acquisition date, with any excess of the purchase consideration over the fair value of identifiable net assets acquired recognized as goodwill. The purchase price calculation and purchase price allocation presented herein were made solely for the purpose of preparing this Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is derived from (a) the audited consolidated financial statements of Nokia for the year ended December 31, 2014, which are incorporated by reference into this Listing Prospectus, (b) the unaudited condensed consolidated financial statements of Nokia for the six months ended June 30, 2015, which are incorporated by reference into this Listing Prospectus, (c) the audited consolidated financial statements of Alcatel Lucent Annual Report on Form 20-F for the year ended December 31, 2014, which are included in Annex A, and (d) the unaudited condensed consolidated financial statements of Alcatel Lucent for the six months ended June 30, 2015, which are included in Annex A.

The unaudited pro forma condensed combined statement of financial position as of June 30, 2015 gives effect to the Exchange Offer as if it had occurred on that date. The unaudited pro forma condensed combined income statements for the six months ended June 30, 2015 and for the year ended December 31, 2014 give effect to the Exchange Offer as if it had occurred on January 1, 2014.

The unaudited pro forma condensed combined statement of financial position as of June 30, 2015 also gives effect to the sale of Nokia's HERE business as if it had occurred on that date. The unaudited pro forma condensed combined income statements for the six months ended June 30, 2015 and years ended December 31, 2014, 2013 and 2012 also give effect to the sale of Nokia's HERE business by presenting HERE as discontinued operations in accordance with IFRS 5 to give pro forma effect to the proposed sale of HERE. Refer to Note 5 for the Unaudited Pro Forma Financial Information adjusted for the pro forma effect of the HERE transaction for the years ended December 31, 2013 and 2012.

The Unaudited Pro Forma Financial Information reflects adjustments to historical financial information to give pro forma effect to events that are directly attributable to the Exchange Offer, have an ongoing effect on Nokia's income statements and are factually supportable. The unaudited pro forma condensed combined income statement information does not reflect any non-recurring items directly related to the Exchange Offer or sale of HERE that the Combined Company may incur following the Completion of the Exchange Offer and sale of HERE, rather such non-recurring items are presented in the notes to the Unaudited Pro Forma Condensed Combined Financial Information. Nokia's Unaudited Pro Forma Financial Information and explanatory notes present how Nokia's financial statements may have appeared had the businesses actually been combined and had Nokia's capital structure reflected the Exchange Offer as of the dates noted above.

Nokia has performed a preliminary review of Alcatel Lucent's IFRS accounting policies, based primarily on publicly available information, to determine whether any adjustments were necessary to ensure comparability in the Unaudited Pro Forma Financial Information. At this time, Nokia is not aware of any differences that would have a material effect on the Unaudited Pro Forma Financial Information. Upon closing of the acquisition of Alcatel Lucent, Nokia will conduct a detailed analysis of Alcatel Lucent's accounting policies. Certain reclassifications were made to amounts in Alcatel Lucent's financial statements to align with Nokia's presentation as described further in Note 2 to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information assumes that all Alcatel Lucent Securities will be tendered into the Exchange Offer or the subsequent offering period, if any.

The Unaudited Pro Forma Financial Information reflects the application of pro forma adjustments that are preliminary and are based upon available information and certain assumptions, described in the accompanying notes thereto, that management believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the accompanying Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information has been prepared by management for illustrative purposes only and is not necessarily indicative of the financial position or results of Nokia's operations that would have been realized had the acquisition of Alcatel Lucent or the HERE transaction contemplated above occurred as of the dates indicated, nor is it meant to be indicative of any anticipated financial position or future results of operations that Nokia will experience going forward. In addition, the accompanying unaudited pro forma condensed combined income statements does not reflect any expected cost savings, synergies, restructuring actions, non-recurring items or one-time transaction related costs that Nokia expects to generate or incur.

All amounts presented are in millions of euros unless otherwise noted.

Unaudited Pro Forma Condensed Combined Statement of Financial Position as of June 30, 2015

EURm	Nokia historical	Sale of HERE (Note 5)	Nokia continuing operations	Alcatel Lucent reclassified (Note 2)	Pro forma adjustments (Note 3)	Notes	Pro forma combined
ASSETS							
Non-current assets							
Goodwill	2 783	(2 555)	228	3 360	4 804	3a, 3g	8 392
Other intangible assets	341	(37)	304	1 419	5 700	3a, 3c	7 423
Property, plant and equipment	786	(112)	674	1 378	-		2 052
Investments in associated companies	69	-	69	27	-		96
Available-for-sale investments	1 018	-	1 018	337	-		1 355
Deferred tax assets	2 721	(51)	2 670	1 648	-		4 318
Long-term loans receivable	48	-	48	9	-		57
Prepaid pension costs	29	-	29	2 831	-		2 860
Other non-current assets	43	-	43	376	-		419
	7 837	**(2 756)**	**5 081**	**11 385**	**10 504**		**26 970**
Current assets							
Inventories	1 368	(12)	1 356	2 099	108	3d	3 563
Accounts receivable, net of allowances for doubtful accounts	3 602	(159)	3 443	2 005	(8)	3i	5 440
Prepaid expenses and accrued income	944	(73)	871	1 323	-		2 194
Current income tax assets	200	(7)	193	67	-		260
Current portion of long-term loans receivable	2	-	2	16	-		18
Other financial assets	121	-	121	202	-		323
Investments at fair value through profit and loss, liquid assets	570	-	570	-	-		570
Available-for-sale investments, liquid assets	2 065	(1)	2 064	1 770	-		3 834
Cash and cash equivalents	3 983	2 515	6 498	4 032	-		10 530
	12 855	**2 263**	**15 118**	**11 514**	**100**		**26 732**
Assets of disposal groups classified as held for sale	-	-	-	43	-		43
Total assets	**20 693**	**(493)**	**20 200**	**22 942**	**10 604**		**53 746**

EURm	Nokia historical	Sale of HERE (Note 5)	Nokia continuing operations	Alcatel Lucent reclassified (Note 2)	Pro forma adjustments (Note 3)	Notes	Pro forma combined
SHAREHOLDERS' EQUITY AND LIABILITIES							
Capital and reserves attributable to equity holders of the parent	8 919	26	8 945	2 443	10 354	1, 3a, 3h	21 742
Non-controlling interests	59	-	59	879	-		938
Total equity	**8 979**	**26**	**9 005**	**3 322**	**10 354**		**22 681**
Non-current liabilities							
Long-term interest-bearing liabilities	2 685	-	2 685	5 051	(3 430)	1b, 3m	4 306
Deferred tax liabilities	75	-	75	912	1 764	3e	2 751
Deferred revenue and other long-term liabilities	1 575	(164)	1 411	571	-		1 982
Defined benefit pensions and other post-retirement benefits	426	(7)	419	5 197	-		5 616
Provisions	259	-	259	324	-		583
	5 019	**(171)**	**4 848**	**12 055**	**(1 666)**		**15 237**
Current liabilities							
Current portion of long-term interest-bearing liabilities	1	-	1	195	1 901	3m	2 097
Short-term borrowings	102	-	102	357	-		459
Other financial liabilities	122	-	122	145	-		267
Current income tax liabilities	484	(58)	426	74	-		500
Accounts payable	1 919	(49)	1 870	1 916	(8)	3i	3 778
Accrued expenses, deferred revenue and other liabilities	3 560	(238)	3 322	3 930	23	3f, 3h	7 275
Provisions	507	(3)	504	915	-		1 419
	6 695	**(348)**	**6 347**	**7 532**	**1 916**		**15 795**
Liabilities of disposal groups classified as held for sale	-	-	-	33	-		33
Total liabilities	**11 714**	**(519)**	**11 195**	**19 620**	**250**		**31 065**
Total shareholders' equity and liabilities	**20 693**	**(493)**	**20 200**	**22 942**	**10 604**		**53 746**

Refer to accompanying notes to unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Income Statement for the Six Month Period Ended June 30, 2015

EURm	Nokia historical	Sale of HERE (Note 5)	Nokia continuing operations	Alcatel Lucent reclassified (Note 2)	Pro forma adjustments (Note 3)	Notes	Pro forma combined
Net sales	6 405	(551)	5 854	6 601	(14)	3i	12 441
Cost of sales	(3 512)	142	(3 370)	(4 367)	14	3i	(7 723)
Gross profit	2 892	(409)	2 483	2 234	-		4 717
Research and development expenses	(1 354)	269	(1 085)	(1 168)	(171)	1e,3b,3c	(2 424)
Selling, general and administrative expenses	(875)	99	(776)	(870)	(168)	1e,3b,3c	(1 814)
Impairment of goodwill	-	-	-	-	-		-
Other income	159	-	159	48	-		207
Other expenses	(78)	13	(65)	(219)	22	3h	(262)
Operating profit/(loss)	**745**	**(28)**	**717**	**25**	**(317)**		**425**
Share of results of associated companies	14	-	14	1	-		15
Financial income and expenses	(49)	(4)	(53)	(142)	28	3j	(167)
Profit/(loss) before tax	**710**	**(32)**	**678**	**(116)**	**(289)**		**273**
Income tax benefit/ (expense)	(177)	7	(170)	(6)	87	3l	(89)
Profit/(loss) from continuing operations	**533**	**(25)**	**508**	**(122)**	**(202)**		**184**
Attributable to:							
Equity holders of the parent	531	(25)	506	(112)	(202)		192
Non-controlling interests	2	-	2	(10)	-		(8)
	533	**(25)**	**508**	**(122)**	**(202)**		**184**

Earnings per share from continuing operations (attributable to equity holders of parent)	**EUR**	**EUR**	**EUR**	**EUR**		**Notes**	**EUR**
Basic	0.15	(0.01)	0.14	(0.04)		4	0.03
Diluted	0.14	(0.00)	0.14	(0.04)		4	0.03

Weighted average number of shares	**000s shares**	**000s shares**	**000s shares**	**000s shares**			**000s shares**
Basic	3 631 929	3 631 929	3 631 929	2 787 471		4	5 640 929
Diluted	3 952 185	3 642 883	3 642 883	2 787 471		4	5 657 924

Refer to accompanying notes to unaudited pro forma condensed combined financial statements below.

Unaudited Pro Forma Condensed Combined Income Statement for the Year Ended December 31, 2014

EURm	Nokia historical	Sale of HERE (Note 5)	Nokia continuing operations	Alcatel Lucent reclassified (Note 2)	Pro forma adjustments (Note 3)	Notes	Pro forma combined
Net sales	12 732	(969)	11 763	13 010	(29)	3i	24 744
Cost of sales	(7 094)	238	(6 856)	(8 788)	29	3i	(15 615)
Gross profit	**5 638**	**(731)**	**4 907**	**4 222**	**-**		**9 129**
Research and development expenses	(2 493)	545	(1 948)	(2 139)	(223)	1e,3b,3c	(4 310)
Selling, general and administrative expenses	(1 634)	181	(1 453)	(1 661)	(439)	1e,3b,3c	(3 553)
Impairment of goodwill	(1 209)	1 209	-	-	-		-
Other income	136	(2)	134	308	-		442
Other expenses	(268)	39	(229)	(593)	-		(822)
Operating profit/(loss)	**170**	**1 241**	**1 411**	**137**	**(662)**		**886**
Share of results of associated companies	(12)	-	(12)	15	-		3
Financial income and expenses	(395)	(5)	(400)	(502)	38	3j	(864)
(Loss)/profit before tax	**(237)**	**1 236**	**999**	**(350)**	**(624)**		**25**
Income tax benefit/ (expense)	1 408	310	1 718	316	187	3l	2 221
Profit/(loss) from continuing operations	**1 171**	**1 546**	**2 717**	**(34)**	**(437)**		**2 246**
Attributable to:							
Equity holders of the parent	1 163	1 546	2 709	(69)	(437)		2 203
Non-controlling interests	8	-	8	35	-		43
	1 171	**1 546**	**2 717**	**(34)**	**(437)**		**2 246**

Earnings per share from continuing operations (attributable to equity holders of parent)	**EUR**	**EUR**	**EUR**	**EUR**		**Notes**	**EUR**
Basic	0.31	0.42	0.73	(0.02)		4	0.39
Diluted	0.30	0.39	0.67	(0.02)		4	0.37

Weighted average number of shares	**000s shares**	**000s shares**	**000s shares**	**000s shares**			**000s shares**
Basic	3 698 723	3 698 723	3 698 723	2 767 026		4	5 707 723
Diluted	4 131 602	4 131 602	4 131 602	2 767 026		4	6 143 274

Refer to accompanying notes to unaudited pro forma condensed combined financial statements below.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Tabular amounts in millions of euros ("EURm") unless noted otherwise.

1) The Acquisition of Alcatel Lucent:

The acquisition of Alcatel Lucent will be accounted for in accordance with IFRS 3 using the acquisition method of accounting under which the purchase consideration is allocated to assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the preliminary estimated purchase consideration over the estimated fair value of the identifiable net assets acquired has been allocated to goodwill in these pro forma condensed combined financial statements.

<u>Preliminary Estimate of the Fair Value of Purchase Consideration</u>

The purchase consideration to acquire Alcatel Lucent consists of Nokia Shares to be transferred as part of the Exchange Offer. The Exchange Offer will consist of the following:

- 0.55 Nokia Shares or 0.55 Nokia ADSs (as applicable) for each Alcatel Lucent Share and Alcatel Lucent ADS; and
- 438 million Nokia Shares issued to OCEANE bondholders comprised of 241 million Nokia Shares issued for 2018 OCEANEs, 117 million Nokia Shares issued for 2019 OCEANEs and 80 million Nokia Shares issued for 2020 OCEANEs.

The preliminary estimate of the purchase consideration transferred to acquire Alcatel Lucent as if the acquisition of Alcatel Lucent occurred on June 30, 2015 is as follows:

EURm	**Estimated preliminary fair value**
Preliminary fair value estimate of Nokia equity issued in Exchange for:	
Alcatel Lucent Shares or ADS [(a)]	9 882
OCEANEs [(b)]	2 815
Alcatel Lucent Stock Options [(c)]	118
Alcatel Lucent Performance Shares [(d)]	103
	12 918
Less: preliminary estimate of post-combination share-based compensation expense [(e)]	(26)
Preliminary estimate of purchase consideration	**12 892**

The preliminary fair value estimate of purchase consideration has been calculated based on the following assumptions:

(a) The calculation is based on the number of Alcatel Lucent's outstanding shares of 2 794 343 771 on June 30, 2015 and the closing price of the Nokia Shares of EUR 6.43 on Nasdaq Helsinki on July 31, 2015 and the Exchange Offer ratio of the 0.55 Nokia Shares/Nokia ADSs for every one Alcatel Lucent Share/Alcatel Lucent ADS.

(b) As part of the Exchange Offer, Nokia is offering to exchange each issued and outstanding OCEANE for Nokia Shares or Nokia ADSs. Under the terms of each of the OCEANEs, and as a result of the Exchange Offer, holders of OCEANEs will also have an opportunity to convert their OCEANEs into or exchange their OCEANEs for Alcatel Lucent Shares at an adjusted conversion/exchange ratio. Based on the closing price of Nokia Shares on Nasdaq Helsinki on July 31, 2015 of EUR 6.43 and the adjusted conversion/exchange ratio, the change of control parity value of the OCEANE convertible bond exceeds the convertible bond par value. Thus, for the purposes of the Unaudited Pro Forma Financial Information, Nokia has assumed all bonds would be converted to 796 million of Alcatel Lucent Shares (based on the adjusted conversion/exchange ratio) and that all such Alcatel Lucent Shares would be tendered in the Exchange Offer. OCEANEs consist of the following face value convertible bonds as of June 30, 2015:

i. EUR 629 million 2018 OCEANEs;

ii. EUR 688 million 2019 OCEANEs; and

iii. EUR 460 million 2020 OCEANEs.

For acquisition accounting purposes, the preliminary fair value of the Nokia Shares issued to the holders of the OCEANEs is included as part of the preliminary estimate of purchase consideration for the acquisition of Alcatel Lucent. The holders of the OCEANEs are treated the same as a holder of an Alcatel Lucent Share in the Exchange Offer. Accordingly, for pro forma purposes, it is expected that 438 million Nokia Shares would be issued to the holders of the OCEANEs, with an estimated fair value of EUR 2 815 million based on the July 31, 2015 closing price of EUR 6.43 per Nokia Share.

It is assumed that, upon the Completion of the Exchange Offer, all Alcatel Lucent Shares issued upon conversion/exchange of the OCEANEs will be exchanged for Nokia Shares and therefore, Nokia will not assume any liabilities related to the OCEANEs. As a result, the net carrying value of the OCEANEs of EUR 1 529 million has been eliminated from the pro forma statement of financial position as of June 30, 2015 as a reduction to long-term interest-bearing liabilities.

(c) 18 million Nokia Shares issued at the July 31, 2015 closing price of EUR 6.43 per Nokia Share in exchange for 33 million of Alcatel Lucent Stock Options that are assumed to be early converted into Alcatel Lucent Shares and tendered in the Exchange Offer. For the purpose of the Unaudited Pro Forma Financial Information, out-of-the money Alcatel Lucent Stock Options are not expected to be tendered in the Exchange Offer.

(d) In respect of the 29 million outstanding Alcatel Lucent Performance Shares and based on the information available at June 30, 2015, 19 million Alcatel Lucent Performance Shares are assumed to be accelerated and tendered in the Exchange Offer for 11 million Nokia Shares at the July 31, 2015 closing price of EUR 6.43 and 10 million Alcatel Lucent Performance Shares will have ongoing service and performance obligations subsequent to the closing of the acquisition of Alcatel Lucent. The allocation of the fair value of Alcatel Lucent Performance Shares between pre-combination and post-combination services reflected within this Unaudited Pro Forma Financial Information is based on preliminary estimates and a different purchase consideration will likely result when full information on Alcatel Lucent’s Performance Share plans is available.

(e) For the 10 million Alcatel Lucent Performance Shares with an ongoing service and performance obligations, the fair value of a Performance Share has been calculated using the July 31, 2015 closing price of EUR 6.43 per Nokia Share adjusted for an estimated distribution rate on future income. Estimated share based compensation for the six months ended June 30, 2015 and for the year ended December 31, 2014 is EUR 3 million and EUR 7 million, respectively.

The preliminary estimate of the purchase consideration reflected in the Unaudited Pro Forma Financial Information does not purport to represent the actual consideration to be transferred upon closing of the acquisition of Alcatel Lucent. In accordance with IFRS, the fair value of the Nokia Shares to be issued as part of the consideration transferred will be measured on the completion date of the Exchange Offer at the then-current market price. This requirement will likely result in a purchase consideration different from the amount assumed in the Unaudited Pro Forma Financial Information and that difference may be material. A change of 5% per share in the Nokia ordinary share price would increase or decrease the consideration expected to be transferred by approximately EUR 646 million, which would be reflected in the Unaudited Pro Forma Financial Information as an increase or decrease to goodwill.

<u>Assets Acquired and Liabilities Assumed in Connection with the Acquisition of Alcatel Lucent:</u>

Nokia has made a preliminary allocation of the aggregate estimated purchase consideration, which is based upon estimates that Nokia believes are reasonable. As of the date of this Listing Prospectus, due to limited access to Alcatel Lucent’s financial information, Nokia has not completed the detailed valuation studies necessary to arrive at the required estimates of fair value for all of Alcatel Lucent's assets to be acquired and liabilities to be assumed. Upon closing of the acquisition of Alcatel Lucent, Nokia will conduct a detailed valuation of all assets and liabilities as of the acquisition date at which point the fair value of assets and liabilities may differ materially from the amounts presented herein. Alcatel Lucent's consolidated balance sheet information as of June 30, 2015 was used in the preliminary purchase price allocation presented below.

The preliminary purchase price allocation is detailed as follows:

	EURm	**Note**
Non-current assets		
Intangible assets		
Customer relationships	3 679	3c
Technologies	2 802	3c
Other	638	3c
Property, plant and equipment	1 378	
Deferred tax assets	1 648	
Prepaid pension costs	2 831	
Other assets	749	
	13 725	
Current assets		
Inventories	2 207	3d
Accounts receivable, net of allowances for doubtful accounts	2 005	
Available-for-sale investments, liquid assets	1 770	
Cash and cash equivalents	4 032	
Other current assets	1 651	
Total assets acquired	**25 390**	
Non-current liabilities		
Long-term interest-bearing liabilities	(1 621)	1b,3m
Deferred tax-liabilities	(2 676)	3e
Deferred revenue and other long-term liabilities	(571)	
Defined benefit pension and post-retirement benefits	(5 197)	
Provisions	(324)	
	(10 389)	
Current liabilities		
Current borrowings and other financial liabilities	(2 598)	3m
Accounts payable	(1 916)	
Accrued expenses, deferred revenue and other liabilities	(3 858)	3f
Provisions	(915)	
Other current liabilities	(107)	
Total liabilities assumed	**(19 783)**	
Net assets acquired	5 607	
Non-controlling interests	(879)	
Goodwill	8 164	3g
Estimated purchase consideration	**12 892**	

2) Reclassification of Alcatel Lucent's Historical Financial Information:

Certain reclassifications were made to align Alcatel Lucent's historical financial information with Nokia's financial statement presentation. Upon closing of the acquisition of Alcatel Lucent, Nokia will conduct a detailed review of Alcatel Lucent's financial statement presentation. As a result of that review, Nokia may identify additional presentation differences between the two companies that, when conformed, could have further impact on the presentation of the combined financial statements. Based on the information available at this time, Nokia is not aware of any other presentation differences that could have a material impact on the Unaudited Pro Forma Financial Information.

The following reclassifications were made to align Alcatel Lucent's historical statement of financial position as of June 30, 2015 with Nokia's financial statement presentation:

	As of June 30, 2015			
EURm	**Historical Alcatel Lucent**	**Reclassi-fications**		**Alcatel Lucent reclassified**
Non-current assets				
Available-for-sale investments	-	337	(i)	337
Other non-current financial assets, net	362	(362)	(i)	-
Long-term loans receivable	-	9	(i)	9
Other non-current assets	476	(100)	(ii)	376
Current assets				
Accounts receivable, net of allowances for doubtful accounts	-	2 005	(iv)	2 005
Prepaid expenses and accrued income	-	1 323	(iii),(iv),(v)	1 323
Current portion of long-term loans receivable	-	16	(i)	16
Other financial assets	-	202	(ii),(iii)	202
Available-for-sale investments, liquid assets	-	1 770		1 770
Trade receivables and other receivables, net	2 523	(2 523)	(iv)	-
Advances and progress payments	45	(45)	(v)	-
Other current assets	887	(887)	(iii)	-
Marketable securities, net	1 770	(1 770)		-
Cash and cash equivalents	4 007	25	(iii)	4 032
Non-current liabilities				
Long-term interest-bearing liabilities	-	(5 051)	(vi),(xii)	(5 051)
Deferred revenue and other long-term liabilities	-	(571)	(vii),(ix)	(571)
Defined benefit pensions and other post-retirement benefits	-	(5 197)		(5 197)
Provisions	-	(324)		(324)
Pensions, retirement indemnities and other post-retirement benefits	(5 197)	5 197		-
Convertible bonds and other bonds, long-term	(4 798)	4 798	(xii)	-
Other long-term debt	(253)	253	(vi)	-
Other non-current liabilities	(520)	520	(vii)	-
Current liabilities				
Current portion of long-term interest-bearing liabilities	-	(195)	(viii)	(195)
Short-term borrowings	-	(357)	(viii),(xi)	(357)
Other financial liabilities	-	(145)	(xi)	(145)
Accounts payable	-	(1 916)	(x)	(1 916)
Accrued expenses, deferred revenue and other liabilities	-	(3 930)	(viii),(ix),(x), (xi)	(3 930)
Provisions	(1 239)	324		(915)
Current portion of long-term debt and short-term debt	(575)	575	(viii)	-
Customers' deposits and advances	(958)	958	(ix)	-
Trade payables and other payables	(3 599)	3 599	(x)	-
Other current liabilities	(1 462)	1 462	(xi)	-

i. Reclassification of EUR 362 million from Other non-current financial assets, net to Available for sale investments (EUR 337 million), Long-term loans receivable (EUR 9 million) and to Current portion of long-term loans receivable (EUR 16 million).

ii. Reclassification of EUR 100 million from Other non-current assets to Other financial assets.

iii. Reclassification of EUR 887 million from Other current assets to Other financial assets (EUR 102 million), Cash and cash equivalents (EUR 25 million) and Prepaid expenses and accrued income (EUR 760 million).

iv. Reclassification of EUR 2 523 million from Trade receivables and other receivables, net to Account receivable, net of allowance for doubtful accounts (EUR 2 005 million) and Prepaid expenses and accrued income (EUR 518 million).

v. Reclassification of EUR 45 million from Advances and progress payments to Prepaid expenses and accrued income.

vi. Reclassification of EUR 253 million from Other long-term debt to Long-term interest-bearing liabilities.

vii. Reclassification of EUR 520 million from Other non-current liabilities to Deferred revenue and other long-term liabilities.

viii. Reclassification of EUR 575 million from Current portion of long-term debt and short – term debt to Accrued expenses, deferred revenue and other liabilities (EUR 95 million), Short term borrowings (EUR 284 million) and Current portion of long-term interest-bearing liabilities (EUR 195 million).

ix. Reclassification of EUR 958 million from Customer deposits and advances to Deferred revenue and other long-term liabilities (EUR 50 million) and to Accrued expenses, deferred revenue and other liabilities (EUR 908 million).

x. Reclassification of EUR 3 599 million from Trade payables and other payables to Accrued expenses, deferred revenue and other liabilities (EUR 1 683 million) and to Accounts payable (EUR 1 916 million).

xi. Reclassification of EUR 1 462 million from Other current liabilities to Accrued expenses, deferred revenue and other liabilities (EUR 1 244 million), Other financial liabilities (EUR 145 million) and Short-term borrowings (EUR 73 million).

xii. Reclassification of EUR 4 798 million from Convertible bonds and other bonds, long-term to Long-term interest-bearing liabilities.

The following reclassifications were made to align Alcatel Lucent's historical income statement for the six month period ended June 30, 2015 with Nokia's financial statement presentation:

	For the six month period ended June 30, 2015			
EURm	**Historical Alcatel Lucent**	**Reclassification**		**Alcatel Lucent reclassified**
Revenues	6 685	(84)	(i)	6 601
Cost of sales	(4 364)	(3)	(vi)	(4 367)
Research and development expenses	(1 213)	45	(i),(vi)	(1 168)

Selling, general and administrative expenses	(864)	(6)	(vi)	(870)
Other income	-	48	(i),(vi)	48
Other expenses	-	(219)	(ii),(iii),(v)	(219)
Restructuring costs	(191)	191	(ii)	-
Litigations	(19)	19	(iii)	-
Gain/(loss) on disposal of consolidated entities	(8)	8	(v)	-
Post-retirement benefit plan amendments	(1)	1		-
Financial income and expenses	-	(142)	(iv)	(142)
Finance cost	(135)	135	(iv)	-
Other financial income (loss)	(7)	7	(iv)	-

i. Reclassification of EUR 84 million of Revenue, to Research and development expenses (EUR 60 million), and Other income (EUR 24 million).

ii. Reclassification of EUR 191 million of Restructuring costs to Other expenses.

iii. Reclassification of EUR 19 million of Litigation costs to Other expenses.

iv. Represents EUR 142 million of Finance cost (EUR 135 million) and Other financial income (loss) (EUR 7 million) which have been reclassified to Financial income and expenses.

v. Represents EUR 8 million of Gain/(loss) on disposal of consolidated entities to Other expenses.

vi. Reclassification from Cost of sales (EUR 3 million), from Research and development expense (EUR 15 million) and from Selling, general and administrative expenses (EUR 6 million) to Other income (EUR 24 million).

The following reclassifications were made to align Alcatel Lucent's historical income statement for the year ended December 31, 2014 with Nokia's financial statement presentation:

	For the year ended December 31, 2014			
EURm	**Historical Alcatel Lucent**	**Reclassifications**		**Alcatel Lucent reclassified**
Revenues	13 178	(168)	(i)	13 010
Cost of sales	(8 770)	(18)	(vi)	(8 788)
Research and development expenses	(2 215)	76	(i),(vi)	(2 139)
Selling, general and administrative expenses	(1 621)	(40)	(vi)	(1 661)
Other income	-	308	(i),(iii),(iv),(vi),(vii)	308
Other expenses	-	(593)	(ii),(iii)	(593)
Restructuring costs	(574)	574	(ii)	-
Litigations	7	(7)	(vii)	-
Gain/(loss) on disposal of consolidated entities	20	(20)	(iii)	-
Post-retirement benefit plan amendments	112	(112)	(iv)	-
Financial income and expenses	-	(502)	(v)	(502)
Finance cost	(291)	291	(v)	-
Other financial income (loss)	(211)	211	(v)	-

i. Reclassification of EUR 168 million of Revenue, to Research and development expenses (EUR 88 million) and Other income (EUR 80 million).

ii. Reclassification of EUR 574 million from Restructuring costs to Other expenses.

iii. Reclassification of EUR 20 million from Gain/(loss) on disposal of consolidated entities to Other income of EUR 39 million and to Other expenses of EUR (19) million.

iv. Reclassification of EUR 112 million from Post-retirement benefit plan amendments to Other income.

v. Represents EUR 502 million of Finance cost (EUR 291 million) and Other financial income (loss) (EUR 211 million) which have been reclassified to Financial income and expenses.

vi. Reclassification from Cost of sales (EUR 18 million), from Research and development expense (EUR 12 million) and from Selling, general and administrative expenses (EUR 40 million) to Other income (EUR 70 million).

vii. Reclassification from Litigations of EUR 7 million to Other income.

3) Pro Forma Adjustments:

The following pro forma adjustments give effect to the unaudited pro forma condensed combined income statements for the six month period ended June 30, 2015 and the year ended December 31, 2014, and the unaudited pro forma condensed combined statement of financial position as of June 30, 2015.

(a) These adjustments reflect the elimination of the historical goodwill totaling EUR 3 360 million, book value of existing intangible assets totaling EUR 1 419 million, which are fair valued as part of the preliminary purchase price allocation and shareholders’ equity of Alcatel Lucent totaling EUR 2 443 million as of June 30, 2015. Please refer to Note 3(g) for the fair value adjustment on goodwill.

(b) Represents the elimination of amortization expenses related to the existing intangible assets for the six month period ended June 30, 2015 and the year ended December 31, 2014 of EUR 134 million and EUR 261 million, respectively.

(c) The preliminary fair values of intangible assets has been determined primarily through the use of the “income approach”, which requires an estimate or forecast of expected future cash flows through the use of either the multi-period excess earnings method or the relief-from-royalty method. The preliminary fair value estimates of the identifiable intangible assets and their average amortization lives are estimated as follows:

			Estimated Amortization	
EURm	**Estimated preliminary fair value**	**Range of average amortization life**	**For the six month period ended June 30, 2015**	**For the year ended December 31, 2014**
Customer relationships (i)	3 679	7 - 10 years	213	427
Developed technology (ii)	2 802	5 - 7 years	203	406
Other intangible assets (iii)	638	3 - 12 years	54	84
Total	**7 119**		**470**	**917**

i. Customer relationships represent the fair value of the customer agreements and underlying relationships with Alcatel Lucent’s customers. Order backlog is included in the fair value of customer relationships. Based on the preliminary valuation, amortization expense of EUR 213 million has been recorded to the unaudited pro forma condensed combined income statements for the six month period ended June 30, 2015 and EUR 427 million for the year ended December 31, 2014.

ii. Developed technology represents the fair value of Alcatel Lucent’s products that have reached technological feasibility and are a part of Alcatel Lucent’s product lines at the time acquired as well as the fair value of the in process research and development projects. Based on the preliminary valuation, amortization expense of EUR 203 million has been recorded to the unaudited pro forma condensed combined income statements for the six month period ended June 30, 2015 and EUR 406 million in the year ended December 31, 2014.

iii. Other intangibles includes the fair value of the trade name and other existing intangible assets. Based on the preliminary valuation, amortization expense of EUR 54 million has been recorded to the unaudited pro forma condensed combined income statements for the six month period ended June 30, 2015 and EUR 84 million in the year ended December 31, 2014.

(d) A preliminary fair value adjustment of EUR 108 million has been recorded to inventories in the pro forma statement of financial position as at June 30, 2015 to reflect the preliminary fair values of EUR 2 207 million. Nokia anticipates that the fair value adjustment related to inventories would be utilized in full during the first half of 2016. As such, the impact on cost of sales has not been reflected in the pro forma combined condensed income statements for the six month period ended June 30, 2015 or the year ended December 31, 2014 because it is considered to be non-recurring in nature and is not expected to have a continuing impact on the combined operating results.

(e) Represents the estimated non-current deferred income tax liability related to the fair value adjustments reflected in the Unaudited Pro Forma Financial Information (excluding adjustments related to goodwill, which are not tax effected). The resulting impact is an additional non-current deferred income tax liability of EUR 1 764 million. All deferred income tax impacts were calculated based on an assumed blended tax rate of 30%.

(f) A fair value for deferred revenue of EUR 446 million was estimated, which resulted in a EUR 72 million reduction to its carrying value. This estimate was prepared based on limited information as to the cost, timing and risk associated with the provision of future services. The effect of the fair value adjustment to deferred revenue is not reflected in the pro forma condensed combined income statement as it is considered to be non-recurring in nature and is not expected to have a continuing impact on the combined operating results.

(g) The goodwill recognized in the pro forma statement of financial position as at June 30, 2015 represents the excess of the preliminary purchase consideration transferred over the fair value of identifiable net assets acquired. The goodwill of EUR 8 164 million arising from the acquisition of Alcatel Lucent is attributable to future technology, future customer relationships and assembled workforce. Nokia expects that the goodwill will not be deductible for tax purposes.

(h) The total costs and expenses expected to be incurred by Nokia and Alcatel Lucent in connection with the transactions contemplated by the Exchange Offer are estimated to range from EUR 110 million to EUR 140 million, and are primarily comprised of financial, legal and advisory costs. The effect of financial, legal and advisory costs to be incurred in connection with the Exchange Offer are not reflected in the pro forma condensed combined income statement as these costs are considered to be a non-recurring charge directly related to the transaction and do not have a continuing impact on the combined operating results. In addition, future estimated transaction costs of EUR 95 million were reflected in Accrued expenses, deferred revenue and other liabilities in the pro forma statement of financial position as at June 30, 2015. No amounts were accrued for estimated transaction costs that were not factually supportable.

Nokia:

As of June 30, 2015, Nokia accrued and expensed EUR 15 million of transaction costs. As a result, an adjustment has been made to Other expenses to remove these transaction costs from the income statement for the six month ended June 30, 2015, as these costs are considered to be non-recurring charges directly related to the transaction.

Alcatel Lucent:

As of June 30, 2015, Alcatel Lucent accrued and expensed EUR 7 million of transaction costs. As a result, an adjustment has been made to Other expenses to remove these transaction costs from the income statement for the six month ended June 30, 2015, as these costs are considered to be non-recurring charges directly related to the transaction.

(i) This adjustment reflects the elimination of transactions between Nokia and Alcatel Lucent amounting to EUR 14 million and EUR 29 million for the six month period ended June 30, 2015 and the year ended December 31, 2014, respectively. The receivable and corresponding payable between Nokia and Alcatel Lucent as of June 30, 2015 totaled EUR 8 million and has been eliminated.

(j) Reflects the full elimination of the interest related to the OCEANEs for the six month period ended June 30, 2015 and the year ended December 31, 2014 totaling EUR 28 million and totaling EUR 38 million, respectively.

(k) Upon the acquisition of Alcatel Lucent, Nokia will consolidate all Alcatel Lucent subsidiaries including partly-owned subsidiaries such as Alcatel Lucent Shanghai Bell Co. Ltd ("ASB"), which has material non-controlling interests (50% less one share). Nokia elected to measure the non-controlling interests using the proportionate share method whereby the goodwill recognized does not include any amount relating to the non-controlling interests. All other non-controlling interests in other subsidiaries are immaterial in aggregate.

(l) The estimated income tax impacts of the pre-tax adjustments that are reflected in the unaudited pro forma condensed combined income statements were calculated using an assumed blended tax rate of 30%, which is based on preliminary assumptions related to which jurisdictions the income (expense) will be recorded. The effective tax rate of the Combined Company could be significantly different depending on the post-acquisition activities, including cash needs and geographical mix of net income.

(m) Certain Alcatel Lucent senior non-convertible bondholders have the right to put their bonds to Alcatel Lucent for redemption at a specified price upon change of control. As of July 31, 2015, the senior non-convertible bonds trade at a market price that exceeds the put option exercise price. Thus, for the purposes of the Pro Forma Financial Information, Nokia has assumed that the bondholders would not exercise this put option. A pro forma adjustment was made to reclassify the carrying amount of the senior non-convertible bonds of EUR 1 901 million from Long-term interest bearing liabilities to Current portion of long-term interest bearing liabilities.

4) Earnings per Share:

Pro forma basic earnings per share is calculated by dividing the pro forma profit from continuing operations attributable to equity holders of the parent by the pro forma weighted average number of shares outstanding as adjusted for the Exchange Offer.

Pro forma diluted earnings per share is calculated by adjusting the historical diluted weighted average number of shares outstanding with the pro forma dilutive effect of replacement share-based payment awards granted to certain holders of Alcatel Lucent Performance Shares. For the six months ended June 30, 2015, the assumed conversion of Nokia's outstanding convertible bonds has been excluded from the calculation of diluted shares as it was determined to be antidilutive.

EURm	Six months ended June 30, 2015	Year ended December 31, 2014
Pro forma profit from continuing operations attributable to equity holders of the parent—basic	**192**	**2 203**
Add Back: Elimination of interest expense, net of tax, on Nokia convertible bonds (where dilutive)	-	60
Pro forma profit from continuing operations attributable to equity holders of the parent—diluted	**192**	**2 263**
000s shares		
Weighted average number of shares in issue—historical	3 631 929	3 698 723
Pro Forma number of shares issued to Alcatel Lucent shareholders	1 536 889	1 536 889
Pro Forma number of shares issued to holders of OCEANEs	437 772	437 772
Pro Forma number of shares issued to holders of vested stock options	18 339	18 339
Pro Forma number of shares issued to holders of vested performance shares	16 000	16 000
Pro Forma weighted average number of shares in issue—basic	**5 640 929**	**5 707 723**
Effect of dilutive securities:		
Restricted shares and other	5 692	14 419
Stock options	2 336	3 351
Performance shares	2 926	1 327
Assumed conversion of convertible bonds	-	413 782
	10 954	**432 879**
Pro forma replacement share-based payment awards	6 042	2 672
Pro Forma adjusted weighted average number of shares and assumed conversions—diluted	**5 657 924**	**6 143 274**
	EUR	**EUR**
Pro forma earnings per share from continuing operations attributable to equity holders of the parent—basic	0.03	0.39
Pro forma earnings per share from continuing operations attributable to equity holders of the parent—diluted	0.03	0.37

5) Sale of HERE:

Nokia presents the pro forma effect of the HERE transaction and the related discontinued operations in the pro forma statement of financial position as of June 30, 2015 and the pro forma condensed combined income statements for the six month ended June 30, 2015 and for the year ended December 31, 2014.

The unaudited pro forma condensed combined statement of financial position and the unaudited pro forma condensed combined income statements for all periods presented were adjusted to fully eliminate all of the assets, liabilities and historical operating results included in the HERE business. In addition, the unaudited pro forma condensed combined statement of financial position reflects adjustments for the HERE transaction including the estimated net cash proceeds of approximately EUR 2.5 billion and the estimated EUR 1 billion gain on the sale and related release of foreign exchange translation differences. Non-recurring items including the one-time gain associated with the HERE transaction, are not reflected in the pro forma condensed combined income statements.

The following table presents the impact of the HERE discontinued operations for the years ended December 31, 2013 and 2012:

	For the year ended December 31, 2013			For the year ended December 31, 2012		
EURm	**Nokia Historical**	**Sale of HERE**	**Nokia continuing operations**	**Nokia Historical**	**Sale of HERE**	**Nokia continuing operations**
Net sales	12 709	(914)	11 795	15 400	(1 103)	14 298
Cost of sales	(7 364)	208	(7 156)	(9 841)	228	(9 613)
Gross profit	**5 345**	**(706)**	**4 638**	**5 559**	**(875)**	**4 685**
Research and development expenses	(2 619)	648	(1 970)	(3 081)	883	(2 198)
Selling, general and administrative expenses	(1 671)	188	(1 483)	(2 062)	263	(1 799)
Impairment of goodwill	-	-	-	-	-	-
Other income	272	-	272	277	(1)	276
Other expenses	(809)	24	(785)	(1 514)	31	(1 483)
Operating profit/(loss)	**518**	**154**	**672**	**(820)**	**301**	**(520)**
Share of results of associated companies	4	(1)	4	(1)	(1)	(2)
Financial income and expenses	(280)	3	(277)	(357)	2	(355)
Profit/(loss) before tax	**243**	**156**	**399**	**(1 179)**	**302**	**(877)**
Income tax benefit/(expense)	(202)	(68)	(270)	(304)	(110)	(414)
Profit/(loss) for the year from continuing operations	**41**	**88**	**128**	**(1 483)**	**192**	**(1 291)**
Attributable to:						
Equity holders of the parent	186	88	274	(771)	192	(580)
Non-controlling interests	(145)	-	(145)	(712)	-	(712)
	41	**88**	**128**	**(1 483)**	**192**	**(1 291)**
Earnings per share from continuing operations (attributable to equity holders of parent)	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Basic	0.05	0.02	0.07	(0.21)	0.05	(0.16)
Diluted	0.05	0.02	0.07	(0.21)	0.05	(0.16)
Weighted average number of shares	**000s, shares**	**000s, shares**	**000s, shares**	**000s, shares**	**000s, shares**	**000s, shares**
Basic	3 712 079	3 712 079	3 712 079	3 710 845	3 710 845	3 710 845
Diluted	3 733 364	3 733 364	3 733 364	3 710 845	3 710 845	3 710 845

6) Range of Possible Offer Acceptance Levels

The Unaudited Pro Forma Financial Information presented above has been prepared assuming that Nokia acquires 100% of Alcatel Lucent through the Exchange Offer and that a squeeze-out is not effected.

The following sensitivity analysis provides a range of potential outcomes, assuming the minimum ownership interest in Alcatel Lucent of 51%, the ownership at the midpoint of the range of 75% and the impact of the squeeze-out assuming 95% of the outstanding shares are tendered in the Exchange Offer. In the 51% and 75% scenarios, 49% and 25%, respectively, of the carrying amount of OCEANE convertible bonds were assumed to remain outstanding. In the 95% scenario, Nokia has assumed that the remaining 5% is purchased in cash to illustrate the cash consideration alternative and the OCEANE convertible bonds fully convert. The adjustments to be made to Pro forma adjustments column in the unaudited pro forma condensed combined statement of financial position as of June 30, 2015 and the unaudited pro forma condensed combined income statements for the six months ended June 30, 2015 and the year ended December 31, 2014 would be as follows:

	51% Ownership of Alcatel Lucent	75% Ownership of Alcatel Lucent	100% Ownership of Alcatel Lucent as a Result of a Squeeze-Out
EURm			
Assuming purchase price consideration of:	6 575	9 669	12 247
Increase (decrease):			
Cash (cash consideration for squeeze-out)	-	-	(645)
Goodwill	(3 297)	(1 513)	(408)
Current portion of long-term interest-bearing liabilities	1 379	704	-
Capital and reserves attributable to equity holders of the parent	(6 317)	(3 223)	(237)
Non-controlling interests	1 641	1 006	-
Increase (decrease):			
Profit (loss) from continuing operations for the six months ended June 30, 2015 attributable to:			
Equity holders of the parent	154	79	-
Non-controlling interests	(154)	(79)	-
Profit (loss) from continuing operations for the year ended December 31, 2014 attributable to:			
Equity holders of the parent	248	127	-
Non-controlling interests	(248)	(127)	-
Earnings per share from continuing operations per share – basic in EUR for the six months ended June 30, 2015	0.04	0.02	0.00
Earnings per share from continuing operations – diluted in EUR for the six months ended June 30, 2015	0.04	0.02	0.00
Weighted average number of shares outstanding (000s shares) – basic for six months ended June 30, 2015	(984 410)	(502 250)	(100 450)
Weighted average number of shares outstanding (0000s shares) – diluted for six months ended June 30, 2015	(987 371)	(503 760)	(100 752)
Earnings per share from continuing operations per share – basic in EUR for the year ended December 31, 2014	0.13	0.06	0.01
Earnings per share from continuing operations – diluted in EUR for the year ended December 31, 2014	0.12	0.06	0.01
Weighted average number of shares outstanding (000s shares) – basic for the year ended December 31, 2014	(984 410)	(502 250)	(100 450)
Weighted average number of shares outstanding (000s shares) – diluted for the year ended December 31, 2014	(985 719)	(502 918)	(100 584)

INDUSTRY OVERVIEW

This section "Industry Overview" includes terminology and abbreviations, many of which are specific to networks industry. For a non-exhaustive list of such terms and abbreviations, refer to the section "Glossary".

Overall Telecoms Equipment Market

In recent years, the most important trends affecting the telecoms equipment market have been the increase in the use of data services and the resulting exponential increase in traffic, which has led to an increased need for high performance, quality and reliability in networks. The continuing data traffic increase has forced operators into a transformation of their business model from a voice centric to a data centric model. The shift in approach has required operators to restructure their infrastructure and the challenge for most of the operators have been to monetize the new data services. As a result, operators have experienced flatter revenue as well as margin pressure and there is an increased need for operators to adapt to new technologies and increase efficiency amongst both operators and network infrastructure and services vendors. In addition to the attempts to reduce their costs, the operators want to increase their agility through the adoption of the emerging Telco Cloud and network virtualization technologies. Operators' need to find their place in the new ecosystem has triggered a consolidation wave driven by the need to gain scale and provide a wider spectrum of services, especially fixed mobile convergence services. With one of the widest product portfolios and a global presence, Nokia and Alcatel Lucent are well positioned to capture the growth in investments from both fixed and mobile operators and the integration between the two domains.

The underlying telecoms equipment market is fundamentally driven by capital expenditures by telecom service providers. Nokia's and Alcatel Lucent's sales are affected by seasonality in the network operators' spending cycles, with generally higher sales in the fourth quarter, as compared to the first quarter of the following year. In addition to normal industry seasonality, there are normal peaks and troughs in the deployment of large infrastructure projects. The timing of these projects is dependent on the introduction of new mobile technologies and associated spectrum allocation as well as optical or routing technologies, network upgrade cycles and the availability of new consumer devices. In addition, the Internet of Things already today, and 5G in the mid-to-long term continue drive market growth by multiplying data demand and traffic faster than anything ever before, further impacting Nokia and Alcatel Lucent's addressable market.

When discussing Nokia and Alcatel Lucent's addressable market, telecom networks equipment are always sold with services attached, typically services as Network Implementation, Care, System Integration and Managed Services. The service components of the telecom networks market are not monitored and reported by industry analysts. An industry consensus estimate on the size suggests that the market size for the service part is around 90% of the size equipment market size.

Wireless Networks

According to market researcher Dell'Oro, mobile data traffic has rapidly expanded every year since the smartphone market started accelerating in 2008. With the exponential growth in user data requirements, there is a continued demand from service providers for technology capable of managing data amounts and improving the quality, speed, coverage and capacity of networks.

The global wireless networks market grew at a compound annual growth rate ("CAGR") of 4.5% 2012–2014, reaching a total market size of USD 34.2bn in 2014 (including GSM, CDMA, WCDMA and LTE markets). Of this, 56% represented sales from 4G / LTE in 2014, a technology tracked since 2010 and reaching a market size of USD 19.3bn in 2014.

Wireless market size ($bn)	2012	2013	2014	CAGR '12–'14A
2G, 3G[1]	25.0	20.1	14.9	(22.8%)
Growth, y-o-y %	(22%)	(20%)	(26%)	
4G / LTE	6.3	12.2	19.3	74.8%
Growth, y-o-y %	181%	94%	58%	
Total Wireless	**31.4**	**32.4**	**34.2**	**4.5%**
Growth, y-o-y %	**(9%)**	**3%**	**6%**	

Source: Dell'Oro – Mobile RAN, 4Q14 M16A (2000–2019).

[1] Includes CDMA, WCDMA and GSM markets.

IP Routing

IP routers are increasingly becoming an integral part of networks as service providers and enterprises increasingly rely on internet protocol for their networks. As a result, equipment manufacturers are expanding the range of IP routing services, the scale of capacity and developing the ability to support expanded data through innovation in both hardware and software.

The global service provider IP routing market (including Edge Routers, Core Routers, Traditional Packet Core and Evolved Packet Core markets) grew at a CAGR of 8.3% 2012–2014, reaching a total market size of USD 14.6bn in 2014. Of this 68% represented sales of Edge & Core routers in 2014.

IP Routing market size ($bn)	2012	2013	2014	CAGR 12–'14A
Edge & Core Routers[1]	9.3	9.7	9.9	3.5%
Growth, y-o-y %	(1%)	5%	3%	
Total Packet Core[2]	3.2	3.7	4.7	21.2%
Growth, y-o-y %	13%	16%	27%	
Total IP Routing	**12.5**	**13.4**	**14.6**	**8.3%**
Growth, y-o-y %	**2%**	**7%**	**9%**	

Source: Dell'Oro – Routers, 4Q14 Vol.19 No.4 R16A, February 25, 2015 (1999–2019), Dell'Oro – Wireless Packet Core Report 2Q15, Vol.7 No.2 WPC1A (2011–2019).

[1] Includes Service Provider Edge Router and Service Provider Core Router markets.
[2] Includes Traditional Packet Core and Evolved Packet Core markets.

Fixed Access

The fixed access market is a stable long-term market with ongoing upgrade cycles, regulatory changes and recent developments and innovation as service providers spend to improve fixed-line speeds.

The global fixed access market grew at a CAGR of 6.0% 2012–2014, reaching a total market size of USD 4.0bn in 2014 (including DSL and PON markets). Of this, 66% represented sales of PON products and 34% DSL products. The PON and DSL markets grew at a CAGR of 12.9% and the DSL market decreased by 4.5% between 2012 and 2014.

Fixed Access market size ($bn)	2012	2013	2014	CAGR '12–'14A
DSL	1.5	1.4	1.4	(4.5%)
Growth, y-o-y %	(18%)	(7%)	(2%)	
PON	2.1	2.3	2.7	12.9%
Growth, y-o-y %	4%	11%	15%	
Total Fixed Access	**3.6**	**3.7**	**4.0**	**6.0%**
Growth, y-o-y %	**(6%)**	**3%**	**9%**	

Source: Dell'Oro – Access, 4Q14 Vol.19 No.4 A16A, March 2, 2015 (1998–2019).

IP Platforms

IP platforms products provides systems hardware, software platforms and applications that help communications service providers, extra-large enterprises and webscale companies deliver advanced IP communications, optimize their networks and operations, improve the customer experience and monetize new services. The industry continues to be highly dynamic as legacy products are increasingly being replaced by VoIP systems.

The global IP platforms market decreased at a CAGR of 1.3% 2012–2014, reaching a total market size of USD 6.8bn in 2014. Note that this definition of IP platforms excludes a significant portion of the overall IP platforms market that Nokia and Alcatel Lucent address, including the SON and Optimization software, Network Security Appliances and Software, Network Management Systems, Service Assurance Systems, IoT Connectivity Management, IoT Application Enablement Platforms as well as Big Data and Analytics markets.

IP Platforms market size ($bn)	**2012**	**2013**	**2014**	**CAGR '12–'14A**
Total IP Platforms[1]	**7.0**	**6.4**	**6.8**	**(1.3)%**
Growth, y-o-y %	**(12%)**	**(8%)**	**6%**	

Source: Dell'Oro – Carrier IP Telephony, Five Year Forecast Vol.11 No.3 CT21A, January 20, 2015 (2000–2019).

[1] Includes Softswitch, Media Gateway, Session Border Controller ('SBC'), Voice Application Server ('VAS'), IP Multimedia Subsystem ('IMS') Core and Legacy Mobile Switching Centre ('MSC') markets.

IP Transport

IP transport investment has mostly been in core and backbone networks with future growth opportunities expected to come from service providers' need to build out their metro network and access applications. The IP transport market is characterized by a fragmented market with a lot of smaller players defending their niche positions leading to a quite intensive price competition.

The global IP transport market decreased at a CAGR of 0.2% 2012–2014, reaching a total market size of USD 12.6bn in 2014. Of this, 75% represented sales of WDM products in 2014, a market which grew at a 9.4% CAGR between 2012 and 2014. Note that this definition of the IP transport market excludes the Microwave Equipment market which accounts for a significant portion of the overall IP transport market that Nokia and Alcatel Lucent address.

IP Transport market size (USD bn)	**2012**	**2013**	**2014**	**CAGR '12–'14A**
WDM	7.9	8.9	9.4	9.4%
Growth, y-o-y %	8%	12%	7%	
Rest of IP Transport	4.8	3.9	3.2	(18.4%)
Growth, y-o-y %	(19%)	(19%)	(8%)	
Total IP Transport	**12.7**	**12.7**	**12.6**	**(0.2%)**
Growth, y-o-y %	**(5%)**	**2%**	**(1%)**	

Source: Dell'Oro – Optical Transport, Vol.16 No.4 O16A, February 20, 2015 (1998-2019).

[1] Includes Multiservice Multiplexer and Optical Switch markets.

HERE

In general, there is a trend of more connected things which provides opportunities for location-based intelligence to serve as a key dimension in this development. Additionally, as the automotive industry is a significant contributor to HERE's sales, the broader economy and its influence on new car sales are an important factor in HERE's future success. The adoption rate of in-car navigation products and services is important as well. In general, adoption of these types of products has been increasing and is expected to further increase as connectivity becomes more pervasive in cars. The gradual move towards an increasing number of cars being connected also offers the possibility to provide more value-adding services to the automotive industry.

Technologies / Licensing

In general, there has been increased focus on IPR protection and licensing, and this trend is expected to continue. As such, new agreements are generally a product of lengthy negotiations and potential litigation or arbitration, and therefore the timing and outcome may be difficult to forecast. Due to the structure of the patent license agreements, the payments may be very infrequent, at times retrospective in part and the 1engths of license agreements can vary.

Additionally, there are clear regional differences in the ease of protecting and licensing patented innovations. Nokia has seen some licensees actively avoiding license payments, and some licensors using aggressive methods to collect them, both behaviors attracting regulatory attention. Nokia expects the discussion on the regulation of licensing to continue on both a global and regional level. Some of those regulatory developments may be adverse to the interests of technology developers and patent owners, including Nokia and Alcatel Lucent.

BUSINESS

All statements in this section regarding the competitive position of Nokia or the Combined Company are based on the view of Nokia's management unless otherwise explicitly stated.

Nokia

Overview

Nokia is a Finnish corporation, established in 1865 and organized under the laws of the Republic of Finland. The Company is registered with the Finnish Trade Register under the business identity code 0112038-9. Under its Articles of Association in effect on the date of this Listing Prospectus, Nokia's corporate purpose is to engage in the telecommunications industry and other sectors of the electronics industry as well as the related service businesses, including the development, manufacture, marketing and sales of mobile devices, other electronic products and telecommunications systems and equipment as well as related mobile, Internet and network infrastructure services and other consumer and enterprise services. Nokia may also create, acquire and license intellectual property and software as well as engage in other industrial and commercial operations. Further, Nokia may engage in securities trading and other investment activities. Nokia's principal office is located at Karaportti 3, FI-02610 Espoo, Finland, and the telephone number is +358 (0) 10 44 88 000.

Nokia is currently focused on three business areas: network infrastructure software, hardware and services, which is offered through Nokia Networks; mapping and location intelligence, which is provided through HERE; and advanced technology development and licensing, which is pursued through Nokia Technologies. Through its three businesses, Nokia has a global presence with operations and R&D facilities in Europe, North America and Asia, sales in approximately 140 countries, and employs approximately 64 000 people. Nokia is also a major investor in R&D, with expenditure through its three businesses exceeding EUR 2.5 billion in 2014.

Nokia Networks is a leading vendor in the mobile infrastructure market, providing a broad range of different products, from the hardware components of networks used by network operators to software solutions supporting the efficient operation of networks, as well as services to plan, optimize, implement, run and upgrade mobile operators' networks.

HERE is a leading provider of maps and location experiences across multiple screens and operating systems and is focused on producing the most accurate and fresh map content, available across multiple devices and operating systems.

Nokia Technologies develops and licenses cutting-edge innovations that are powering the next revolution in computing and mobility. Nokia Technologies is a leading innovator of the core technologies enabling the Programmable World, where everything and everyone will be connected. Nokia Technologies is expanding Nokia's successful patent licensing program and licensing proprietary technologies to enable its customers to build better products.

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. The transaction values HERE at an enterprise value of EUR 2.8 billion with a normalized level of working capital and is expected to close in the first quarter of 2016, subject to customary closing conditions and regulatory approvals. Upon closing, Nokia estimates that it will receive net proceeds of slightly above EUR 2.5 billion, as the purchaser would be compensated for certain defined liabilities of HERE currently expected to be slightly below EUR 300 million as part of the transaction. Upon closing of the HERE transaction, which does not affect the exchange ratio of the Exchange Offer, and assuming that the Exchange Offer has not yet been completed, Nokia will consist of two businesses: Nokia Networks and Nokia Technologies.

It is currently expected that after the Exchange Offer, Nokia Networks' business would be conducted through four business groups: Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. These business groups would provide an end-to-end portfolio of products, software and services to enable the Combined Company to deliver the next generation of leading networks solutions and services to customers. Alongside these, Nokia Technologies would continue to operate as a separate business group. Each business group would have strategic, operational and financial responsibility for its portfolio and would be fully accountable for meeting its targets. The four Networks business groups would have a common Integration and Transformation Office to drive synergies and to lead integration activities. The business group leaders would report directly to Nokia's President and Chief Executive Officer:

- Mobile Networks (MN) would include Nokia's and Alcatel Lucent's comprehensive Radio portfolios and most of their converged Core network portfolios including IMS/VoLTE and Subscriber Data Management, as well as the associated mobile networks-related Global Services business. This unit would also include Alcatel Lucent's Microwave business and all of the Combined Company's end-to-end Managed Services business. Through the combination of these assets, Mobile Networks would provide leading end-to-end mobile networks solutions for existing and new platforms, as well as a full suite of professional services and product-attached services.

- Fixed Networks (FN) would comprise the current Alcatel Lucent Fixed Networks business, whose cutting-edge innovation and market position would be further supported through strong collaboration with the other business groups. This business group would provide copper and fiber access products and services to offer customers ultra-broadband end-to-end solutions to transform their networks, deploying fiber to the most economical point.

- Applications & Analytics (A&A) would combine the Software and Data Analytics related operations of both companies. This comprehensive applications portfolio would include Customer Experience Management, OSS as distinct from network management such as service fulfilment and assurance, Policy and Charging, services, Cloud Stacks, management and orchestration, communication and collaboration, Security Solutions, network intelligence and analytics, device management and Internet of Things connectivity management platforms. CloudBand would also be housed in this business group, which would drive innovation to meet the needs of a convergent, Cloud-centric future.

- IP/Optical Networks (ION) would combine the current Alcatel Lucent IP Routing, Optical Transport and IP video businesses, as well as the software defined networking (SDN) start-up, Nuage, plus Nokia's IP partner and Packet Core portfolio. This business group would continue to drive Alcatel Lucent's technology leadership, building large scale IP/Optical infrastructures for both service providers and, increasingly, web-scale and tech centric enterprise customers.

- Nokia Technologies (TECH) would remain as a separate entity with a clear focus on licensing and the incubation of new technologies. Nokia Technologies would continue to have its own innovation, product development and go-to-market operations.

Nokia expects to align its financial reporting under two key areas: Nokia Technologies and the Networks business. The Networks business would comprise the business groups of Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. Nokia also expects to provide selective financial data separately for each of the four Networks business groups to ensure transparency for investors over the performance of each of them.

Key Strengths

Nokia believes that its key strengths are the following:

Unique Operating Model in Nokia Networks

The transformation to an efficient operating model has brought industry leading margins and increased R&D efficiency to Nokia Networks and it continues to focus on operational improvement across its business, applying performance excellence methodologies such as Kaizen, Lean, and Six Sigma. Over the past few years, Nokia Networks has elected to ambitiously and systematically transform its R&D capabilities. By doing this, Nokia Networks has achieved an efficiency gain of above 20% in both 2012 and 2013, with over 90% of R&D staff trained on Six Sigma. Agility is also an important strength that enables the fast resource shifts to future technology areas and opens opportunities to advance in future technologies.

Nokia Networks also continues to focus on producing industry-leading quality. Quality is a source of costs savings and competitive advantage, and Nokia Networks utilizes concepts aimed to minimize the need to fix quality related issues in the field.

Nokia Networks also pursues efficiency gains from increased centralization and automation in Global Services delivery and in other areas, as well as continued improvements in R&D efficiency and agility.

One key area of R&D is to innovate where it matters. In a fairly standardized industry, the ability to differentiate through innovation may be somewhat limited. Therefore Nokia Networks focuses on innovation particularly in areas that provide operators with cost savings and improved customer satisfaction, in addition to future technologies.

Nokia believes that when competing in a fairly standardized industry, operational excellence provides a competitive advantage.

Strong Values and High-Performance Corporate Culture

Nokia has high ambitions as a business, and its financial performance depends on its ability to execute. That requires a high-performance culture in every part of the company. Nokia's values – respect, renewal, achievement and challenge – serve as the foundation for that culture, offering clear direction on how to behave, how to make decisions, and how to treat customers, partners and employees. The aim of Nokia's culture is to be deeply ambitious, passionate about work and winning while remaining grounded.

Strong Balance Sheet and Disciplined Financial Management

Nokia's strong balance sheet provides stability, and the foundation for earning trust from its customers. The main customers of Nokia, the telecom operators, make investments with long time horizons, thus increasing the importance of financial stability in vendor selection. Nokia has a strong cash position, and continues to aim for an investment grade credit rating.

In addition, disciplined financial management provides the potential for value creation for Nokia's shareholders. Nokia continues to be prudent and pragmatic with its capital allocation, and plans to evaluate the potential for capital returns once the planned combination with Alcatel Lucent is completed.

World Leading Intellectual Property Portfolio in Nokia Technologies

In 2014, Nokia retained its entire patent portfolio upon the Sale of the Devices & Services Business, and continues to manage a portfolio with approximately 10 000 patent families comprised of approximately 30 000 individual patents and patent applications. In industry terms, Nokia's portfolio is relatively young, and Nokia Technologies continues to renew the patent portfolio with innovations produced by its strong R&D team. Nokia's current patent portfolio spans a number of technology categories including radio connectivity and networking, multimedia, user interface and software, hardware, product, and mapping and location services.

Business Strategy

Nokia believes that over the next ten years, billions of connected devices will converge into intelligent and programmable systems that will have the potential to improve lives in a vast number of areas including transportation and resource consumption, learning and work, health and wellness, and many more.

Nokia's strategy is to be a technology leader, opening and creating possibilities for its customers, partners and consumers. The key elements of Nokia's strategy are:

Being a Leader in Connectivity, Location Services and Innovation

Nokia believes to be capable of handling massive numbers of devices and exponential increases in data traffic and to provide services that seamlessly bridge between the real and virtual worlds. Further, it aims to be innovative across a number of technology areas including sensing, radio and low-power operation. Nokia believes that it has a strong financial position and the capacity to continue to make the necessary investments to remain an innovation leader in the industries in which its three businesses operate.

Developing its Three Business Areas

Nokia's strategy is to develop its three businesses, Nokia Networks, HERE and Nokia Technologies, in order to realize its vision of becoming a technology leader in the Programmable World and, in turn, to create long-term shareholder value. Through developing these businesses, Nokia aims to optimize the Company's business structure to enable each one to efficiently meet its strategic goals.

The individual strategies for Nokia's businesses are:

Nokia Networks

Nokia Networks' target is to continue to invest in innovative products and services needed by its customers to manage the increase in wireless data traffic.

Accelerating Leadership in Radio

Nokia Networks aims to remain focused on the radio business, aiming to grow its market share further in LTE and LTE-Advanced and to gain leadership in 5G, small cells and radio cloud, while maintaining its overall market position. Nokia Networks seeks to constantly develop its portfolio to offer all the technology elements in a base station site, whether through its own products or partnering, including items such as antennas, backhaul and fronthaul. Nokia Networks plans to also offer integrated small cells and Wi-Fi technologies to handle the large proportion of mobile data traffic that is generated by users indoors. Another example of how Nokia Networks is developing its portfolio is the use of its LTE capabilities to target new market areas, such as LTE-based public safety solutions.

Growing Professional Services

Nokia Networks aims to grow its services business overall to become the leading network implementation vendor with the highest quality and to become the best in the care business. Nokia Networks is also taking steps to increase its proportion of professional services revenue: by growing areas such as network planning and optimization for heterogeneous networks; leveraging its 3D geo-location capabilities; and growing its systems integration business with carrier-grade services to enable Telco Cloud, Internet of Things, analytics and security. Additionally, Nokia Networks aims to grow its managed services business through a portfolio in predictive operations, smart learning and software as a service. It plans to emphasize automation and remote delivery as part of an efficient service delivery model.

Winning in Technology Transition to the Telco Cloud

Nokia Networks seeks to utilize opportunities arising from the technology transition to Telco Cloud. Nokia Networks believes to be in a good position to benefit from its strength in Network Functions Virtualization ("NFV"), but its ambitions are also to become a domain aggregator in Telco Cloud and expand its business through Software Defined Networking. Nokia Networks also plans to expand into network and service orchestration and management, which will extend its capabilities to allow for automated arrangement, coordination and management of all network elements. To round out its end-to-end Telco Cloud offering, Nokia Networks has started to build a strong security portfolio. Nokia believes that the transition to the cloud will give rise to next-generation security threats and new regulation, and Nokia wants to ensure a secure transformation for its customers.

Targeting Opportunities in Internet of Things and Data Analytics

Nokia Networks is expanding its analytics capability building on its Customer Experience Management ("CEM") portfolio and entering the Internet of Things market. Nokia Networks also plans to continue to ensure that operators' network products and services, as well as their network infrastructure, are designed to meet the requirements of the Internet of Things.

HERE

Investing in the HERE Location Cloud

HERE continues to invest in its location cloud with the aim of making it the leading source of location intelligence and the best experience across many different operating systems, platforms and screens. HERE is targeting its investments in three areas: 1) Automotive, for location content and technology for smart, connected and automated cars; 2) Enterprise, for location-based analytics for better business decisions; and 3) Consumer, for serving ecosystem players through cloud-based services for personal mobility and location intelligence through seamless experiences across multiple screens.

Increasing the Focus on Nokia's Leading Automotive Technology Business and Nokia's Enterprise Operations as well as Strengthen the Operational Effectiveness of HERE

Since the end of 2014, Nokia's aim has been to increase the focus on its leading automotive technology business and enterprise operations. Nokia has also targeted for HERE to remain connected to the innovation of the consumer ecosystem through work with mobile device vendors such as Samsung and internet players such as Microsoft. Nokia has also been strengthening the operational effectiveness of HERE to ensure Nokia obtains maximum return on its significant R&D investments and improve long-term profitability.

In the future, HERE also targets its location cloud to deliver HD maps and other services that will power an entirely new class of driver experiences, starting with highly automated driving. Industry participants and government bodies are currently seeking to address a range of technological, legislative, regulatory and ethical issues to ensure that highly automated driving can become reality and gain broad market acceptance in the future.

With respect to the enterprise market, Nokia aims to leverage HERE's core map, platform and automotive assets to deliver location content and services to a broad range of industries. Nokia believes HERE's precise map data, rich map attribution and deep analytics can be combined to give companies and organizations new insights into their operations.

Nokia Technologies

Expanding Nokia's Successful Patent Licensing Program

Nokia plans to remain focused on licensing Nokia's standard-essential patents ("SEPs") and other patents to companies in the mobile devices market and beyond.

Assisting Other Companies and Organizations to Benefit from Nokia's Innovations through Technology Licensing

Nokia plans to remain focused on licensing proprietary technologies to enable its customers to build better products.

Leveraging the Power of the Nokia Brand and the Interest of Companies in Licensing it, Beginning with the Launch of the Nokia N1 Android Tablet

Nokia aims to assist its customers to leverage the value of the Nokia brand in consumer devices, the first example being the Nokia N1 Android tablet announced in the fourth quarter 2014.

<u>Product and Service Incubation, where Nokia Aims to Prudently Invest in New Technologies for use in Potential Future Products and Services.</u>

Nokia aims to continue to focus on developing new ideas and products starting in the areas of Digital Media, with the announcement of the OZO virtual reality camera designed for professional content creators, and Digital Health; all of Nokia Technologies' activities are supported by Labs, its world-class R&D team.

History

Nokia has a long history of successful change and innovation, adapting to shifts in markets and technologies. From its humble beginning with one wood pulp mill in 1865, the company has been part of many sectors over time: cables, paper products, tires, rubber boots, consumer and industrial electronics, plastics, chemicals, telecommunications infrastructure and more. From the mid-1990s through to 2014, many came to know Nokia for its mobile phones, which reached all parts of the globe. Then, in April 2014, Nokia began the next chapter in its history with the Sale of the Devices & Services Business. Reinventing itself once again, Nokia changed its course and announced that its strategy would focus on seizing opportunities in what can be called the Programmable World.

Nokia's history dates back to 1865, when mining engineer Fredrik Idestam set up his first wood pulp mill at the Tammerkoski Rapids in Southwestern Finland. A few years later he opened a second mill on the banks of the Nokianvirta River, inspiring him to name the company Nokia Ab in 1871.

In 1967, Nokia took its current form as Nokia Corporation as a result of the merger of Idestam's Nokia AB, Finnish Rubber Works, a manufacturer of rubber boots, tires and other rubber products founded in 1898, and Finnish Cable Works Ltd, a manufacturer of telephone and power cables founded in 1912. The new Nokia Corporation had five businesses: rubber, cable, forestry, electronics and power generation.

Nokia first entered the telecommunications equipment market in 1960 when an electronics department was established at the Finnish Cable Works with focus on the production of radio transmission equipment.

Regulatory and technological reforms have played a role in Nokia's success over the years. The deregulation of the European telecommunications industries stimulated competition and boosted customer demand. In 1982, the company introduced the first fully digital local telephone exchange in Europe, and, in the same year, the world's first car phone for the Nordic Mobile Telephone analog standard. The technological breakthrough of GSM, which made more efficient use of frequencies and had greater capacity, in addition to high-quality sound, was followed by the 1987 European resolution to adopt GSM as the European digital standard. On July 1, 1991, the first GSM call was made with a Nokia phone over the Nokia-built network of a Finnish operator called Radiolinja, and in the same year, Nokia won contracts to supply GSM networks to other European countries.

In the early 1990s, Nokia made a strategic decision to focus on telecommunications as its core business, with the goal of establishing leadership in every major global market. Basic industry and non-telecommunications operations—including paper, personal computers, rubber, footwear, chemicals, power plant, cable, aluminum and television businesses—were divested between 1989 and 1996. By 1998, Nokia was the world leader in mobile phones, a position it held for more than a decade.

In 2006, Nokia, which had already been investing in mapping capabilities for many years, acquired Gate5, a mapping software specialist, and then in 2008, it acquired NAVTEQ, a US-based manufacturer of digital mapping and navigational software. Today, Nokia offers leading location services through the HERE business and brand, launched in 2012.

In 2007, Nokia combined its telecommunications infrastructure operations with those of Siemens to form a joint venture named Nokia Siemens Networks, also known has NSN. NSN became a leading global provider of telecommunications infrastructure and services, with a focus on offering innovative mobile broadband technology and services.

In 2011, Nokia joined forces with Microsoft to strengthen its position in the highly competitive smartphone market. Nokia adopted the Windows Phone operating system for smart devices and smartphones and through their strategic partnership, Nokia and Microsoft set about establishing an alternative ecosystem to rival iOS and Android. In 2011, Nokia also started to make a number of changes to its operations and company culture that would in the course of the next two years lead to shortened product development times, improved product quality and better responsiveness to market demand.

In 2013, Nokia purchased Siemens' stake in NSN, which was nearing the end of a deep restructuring and remarkable transformation. In addition, Nokia sold its Devices & Services Business. The transaction was announced on September 3, 2013 and completed on April 25, 2014.

Nokia's Business Operations

Nokia Networks

<u>*General*</u>

Nokia Networks is the largest of Nokia's businesses. Nokia Networks is a leading vendor in the mobile infrastructure market, providing a broad range of different products, from the hardware components of networks used by network operators to software solutions supporting the efficient operation of networks, as well as services to plan, optimize, implement, run and upgrade mobile operators' networks.

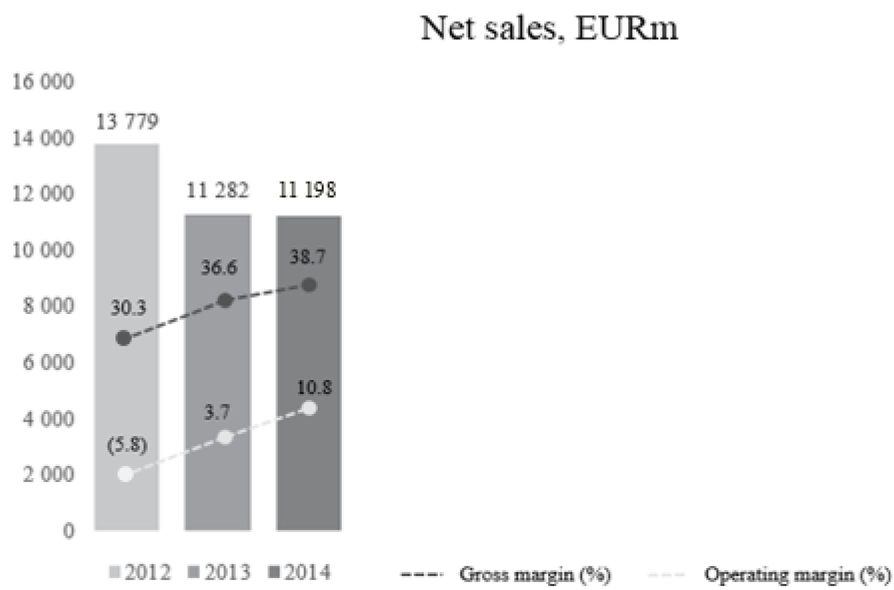
Nokia Networks is estimated to be the third-largest company in its target market of mobile infrastructure and related services. Nokia Networks has a strong position in all generations of radio network technologies (2G, 3G and 4G) and the underlying core networks software. In 3G, Nokia Networks serves more operators than any of its rivals, with more than one billion subscribers connected through its 3G networks. In LTE, Nokia Networks had 162 commercial contracts at the end of 2014, and it is a key LTE radio supplier to 15 of the world's top 20 operators. Nokia Networks is also estimated to be the world's third largest telecommunications services vendor by revenue, managing 550 million subscribers in more than 100 operator networks and close to one million network elements through its Global Delivery Centers. Nokia Networks was formerly known as the NSN business, which began operations as Nokia Siemens Networks on April 1, 2007, following a merger of the networks business of Nokia and the carrier-related operations of Siemens AG for fixed and mobile networks. Since August 7, 2013, the business has been wholly owned by the Nokia Corporation and is now operating under the Nokia brand.

To date, Nokia Networks' Global Services teams have delivered 450 multi-vendor projects. They put a new site on air every 90 seconds. Nokia Networks' Global Delivery Centers currently manage networks serving 550 million subscribers and approximately one million network elements.

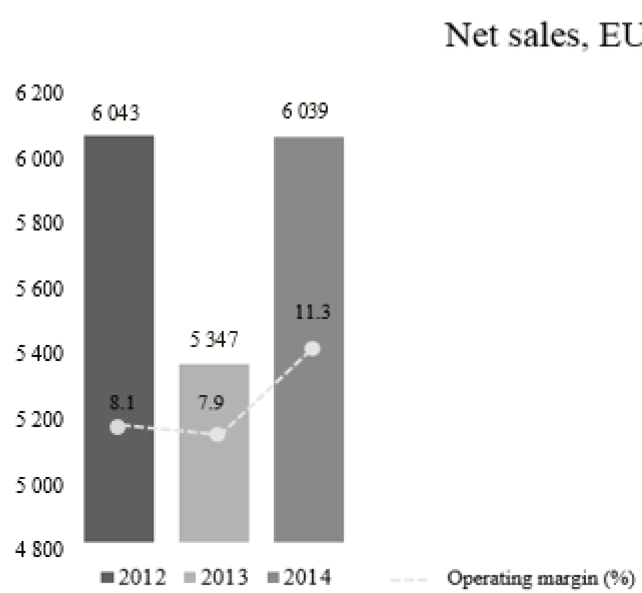
As at June 30, 2015, Nokia Networks had 56 376 employees.

For the period ended June 30, 2015, Nokia Networks' net sales totaled EUR 5 403 million and for the year ended December 31, 2014, Nokia Networks' net sales totaled EUR 11 198 million.

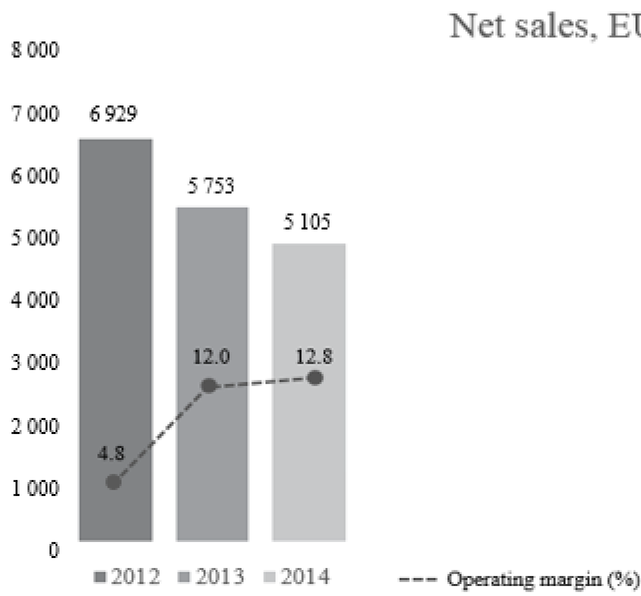
Nokia Networks



Mobile Broadband



Global Services



Segments

Nokia Networks has two segments: Mobile Broadband and Global Services.

Mobile Broadband provides its customers with flexible network solutions for mobile voice and data services through its Radio and Core clusters. The Radio cluster covers all technology generations—GSM, CDMA, WCDMA, and LTE—and is investing in research in LTE-Advanced and 5G. The Core cluster has a comprehensive mobile switching portfolio as well as voice and packet core solutions. The Core portfolio is based on Nokia Networks' cloud-ready software and can scale for the challenges of data growth and Internet of Things. This provides customers with a high level of capacity, agility and performance to meet the increasing demands that subscribers are placing on networks. The Core cluster has expertise in Customer Experience Management, virtualization and software-rich solutions. These help Nokia Networks support its customers in dealing with changing technology trends. For example, security is currently a pressing topic for operators and Nokia Networks opened its mobile broadband security center in Berlin, Germany in December 2014. The center is a hub of leading expertise focused on ensuring robust telco security and bringing together network operators, partners, governments and academic institutions to develop and share network security expertise.

Other major trends addressed by the Mobile Broadband segment include cloud computing, analytics, big data and multimedia content. The new partnering unit, which is part of Mobile Broadband, exists to help Nokia Networks achieve its goals through partnering with recognized market leaders—the best of the up-and-coming technology innovators and companies that have established reputations as leaders in their fields. Through these activities, Nokia Networks believes that it will be able to continue to extend its offerings to its customers.

Through its *Global Services* segment, Nokia Networks aims to provide mobile operators with the solutions they need to create and maintain effective networks.

Global Services comprises five business lines. The Network Implementation business line provides customers with the services they need to build, expand or modernize a communications network. The Care business line undertakes software and hardware maintenance and provides training to help Nokia's customers maximize their networks. Within the Managed Services business line, Nokia Networks offers services such as network operations and service operations, which help its customers manage service lifecycles efficiently and enhance their subscribers' experience (for example, by using analytics to improve their predictive services).

Within the Network Planning and Optimization business line, Nokia offers solutions to improve the performance, consistency and reliability of Nokia's customers' networks and services. Finally, Global Services' systems Integration capabilities ensure that all the elements of a mobile broadband solution, including new and mature technologies, are brought together seamlessly.

Within Global Services, Nokia Networks has two Global Delivery Centers, complemented by five Global Service Delivery hubs, bringing together global and local services experts as well as centralized tools and architecture. These facilities, which deliver a growing proportion of its services, provide efficiency for customers while at the same time allowing operators to benefit from access to world-class skills, available as part of Nokia Networks' global presence.

Products

Nokia Networks provides mobile connectivity infrastructure as well as telecommunications services. Nokia Networks' product portfolio ranges from the hardware components of networks used by mobile operators, such as base stations, to software solutions that support mobile networks, such as the core software that underpins the operations of an operator. Additionally, Nokia Networks provides the services to plan, implement, run and upgrade operators' networks.

Customers, Sales and Marketing

More than 600 customers globally with a total of almost five billion subscriptions use Nokia Networks' equipment and services, among them most of the world's largest mobile operators, including Bharti Airtel, China Mobile, Deutsche Telekom, NTT DoCoMo, SoftBank, Sprint, Telefónica, Verizon and Vodafone.

Nokia Networks' sales and business teams are active in approximately 110 countries. They aim to ensure that Nokia Networks is close to its customers, both physically and in terms of understanding the local markets, and help it to build and maintain its customer relationships. Nokia Networks groups its customer operations into seven geographical markets: Asia-Pacific Japan, Europe, Greater China, India, Latin America, Middle East and Africa, and North America. This structure is targeted at allowing Nokia Networks to gain additional speed and simplicity in dealing with customer requirements while preserving existing customer relationships.

Asia-Pacific Japan spans a varied geographical scope, ranging from advanced telecommunications markets—such as Japan and the Republic of Korea—to developing markets including Bangladesh, Myanmar and Vietnam. Nokia Networks works with leading operators in the market, including KDDI, KT, NTT DoCoMo, SKT, SoftBank and Telkomsel.

In Europe, Nokia Networks is engaged with all the major operators, including Deutsche Telekom, MegaFon, MTS Sistema, Orange, TeliaSonera and Vodafone Group, serving hundreds of millions of customers. Nokia Networks has extensive R&D expertise in Europe, and some of its largest technology centers, which are working on future mobile broadband technologies, are based in this market.

In Greater China, Nokia Networks counts the major operators China Mobile, China Unicom and China Telecom as its customers, among others. The TD-LTE standard has proven particularly important to Chinese operators, resulting in Nokia Networks being honored with the People's Republic of China Friendship Award in 2014.

In India, Nokia Networks is a strong player, with operator customers such as Bharti Airtel, Idea Cellular and Vodafone. In fact, Nokia Networks counts ten Indian telecom operators, both public and private, among its customers in the market, along with the Indian defense administration and Indian railways, including the Kolkata Metro Railway.

In Latin America, Nokia Networks works with all major operators, including América Móvil, Avantel, Nuevatel, Oi, Telefónica and TIM.

Nokia Networks has built a position of considerable strength in Middle East and Africa, with leading operators such as Mobily, Etisalat, Ooredoo, STC and Zain among its customers in the market.

In North America, eight of the top ten mobile operators are Nokia Networks' customers, as well as local operators, major cable companies and government entities. The acquisition of SAC Wireless, a provider of infrastructure and network deployment solutions, in August 2014 further built on Nokia's existing network implementation service capabilities.

No single customer represents 10% or more of Nokia Group's revenues.

Competition

Currently, Nokia Networks considers five companies—Alcatel Lucent, Ericsson, Huawei, Samsung and ZTE—to be its main competitors as major mobile network infrastructure providers. Nokia Networks also competes with IT companies such as Cisco Systems and Oracle.

Supply Chain

Nokia Networks' Global Operations team handles the supply chain management of all its hardware, software and original equipment manufacturer products. This includes supply planning, manufacturing, distribution, procurement, logistics, supply, network design and delivery capability creation in product programs.

HERE

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. The transaction values HERE at an enterprise value of EUR 2.8 billion with a normalized level of working capital and is expected to close in the first quarter of 2016, subject to customary closing conditions and regulatory approvals. Upon closing, Nokia estimates that it will receive net proceeds of slightly above EUR 2.5 billion, as the purchaser would be compensated for certain defined liabilities of HERE currently expected to be slightly below EUR 300 million as part of the transaction. Upon closing of the HERE transaction, which does not affect the exchange ratio of the Exchange Offer, and assuming that the Exchange Offer has not yet been completed, Nokia will consist of two businesses: Nokia Networks and Nokia Technologies.

General

HERE is one of the global leaders in the mapping and location intelligence business. HERE builds HD maps and combines them with cloud technology to enable rich, real-time location experiences in a broad range of connected devices from smartphones and tablets to wearables and vehicles. Built on 30 years of experience in cartography and drawing on more than 80 000 sources of data, HERE offers maps for more than 190 countries, voice guided navigation for 99 countries in more than 50 languages and live traffic information for 44 countries.

Nokia launched HERE as its brand in 2012, prior to which it was already an established business operating under the Nokia name. The business has developed organically and through acquisitions, the most significant of which were the acquisition of location software provider Gate5 in 2006, digital mapping provider NAVTEQ in 2008, and data capture company Earthmine in 2012.

For over 25 years, HERE has been driving fundamental changes to its map. HERE's predecessor NAVTEQ was an early pioneer in digital mapping, and in 2006, Nokia became the first company to launch a mobile phone with in-built GPS. HERE is transforming its map from a static, two-dimensional form akin to a digital version of a paper map and further into a dynamic three-dimensional digital representation of the world, rich in real-time and contextually-relevant information drawn from both real-world and digital sources.

In recent years, amid advances in wireless connectivity and a growing need for ever-more-relevant data, HERE has also been driving a fundamental change to the way it builds and delivers map and location data. Increasingly, HERE's location experiences are powered by its location cloud, which processes and delivers data to smartphones, tablets, in-car navigation systems and other devices over the cloud in real time, reducing the heavy computing needs of the devices.

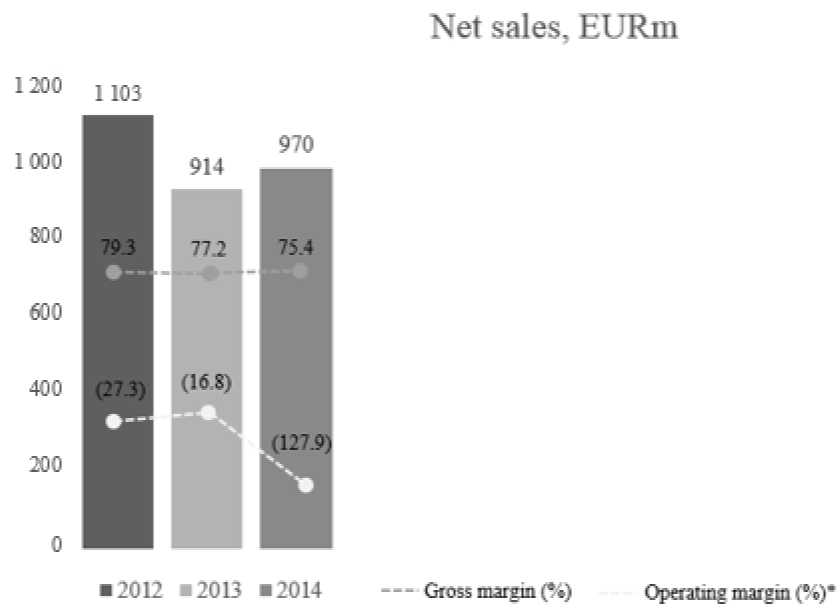
In the automotive segment, HERE is one of the market leaders, with its maps powering four out of five in-car navigation systems in North America and Europe, and its location platform is used by leading internet companies.

During 2014, over 13 million cars were sold with HERE maps on board. HERE offers maps for more than 190 countries, drive navigation for 131 countries and live traffic information for 50 countries.

HERE has its major development sites located in Berlin, Germany and in Chicago, United States.

As at June 30, 2015, HERE had 6 454 employees.

For the period ended June 30, 2015, HERE's net sales totaled EUR 551 million and for the year ended December 31, 2014, HERE's net sales totaled EUR 970 million.



* Includes a goodwill impairment charge of EUR 1 209 million in 2014.

Products

In the automotive space, HERE is one of the market leaders, providing maps for the embedded navigation systems in four out of every five new vehicles sold in North America and Europe. In 2014, this amounted to more than 13 million new vehicle licenses. Nokia's customers can license all or parts of the HERE offering: map content, HERE's location platform, or specific location experiences. The platform is device and operating system agnostic and includes functionalities such as routing, traffic and positioning, a digital 3D reference model of the world, the development tools with which customers can create their own experiences on top of Nokia's map, and the analytical tools to make sense of location-based data. The flexibility in being able to choose between all or specific parts of HERE's offering enables HERE to serve a broad range of customers with different business models and needs.

Customers

HERE's customer base includes many of the world's leading companies from the automotive, mobile, internet and consumer electronics industries. No single customer represents 10% or more of Nokia Group's revenues.

Sales and Marketing

HERE's ability to offer independent solutions at various levels of the value chain offers both vertical and horizontal opportunities. Today, HERE has agreements with most of the world's leading automotive companies and internet and technology companies.

Competition

HERE, Google Maps and TomTom are the largest suppliers of map data to a broad range of industries. Other participants include Inrix, which, like TomTom and Google, competes with HERE in providing traffic services. In contrast to HERE, which has a licensing model for its map data and platform, Google uses an advertising-based model allowing consumers and businesses to use its map data and related services free of charge. Google, which has leveraged Google Maps as a differentiator for its Android operating system, has ambitions to bring the Android platform into the car through Open Automotive Alliance, a coalition of technology and automotive companies, and is also exploring automated driving with pilots of self-driving vehicles underway.

Currently, in the automotive space, Google has competed with HERE through its brought-in car solutions, offered via smartphones and tablets. HERE competes in the brought-in solution space by offering mapping services via PND vendors such as Garmin, as well as through its own native smartphone and tablet applications. While brought-in solutions have become more pervasive, particularly as smartphone and tablet penetration has grown in recent years, HERE has nevertheless continued to see an increase in the car industry's adoption of embedded navigation solutions, as represented by the proportion of all new cars sold with factory-fitted systems. While content remains important, HERE has been increasing its focus on platform technologies which can power up-to-date and predictive maps that are increasingly tailored towards the individual user, and HERE believes in this regard that the only competitive platform to its own is that of Google.

TomTom, which is today the primary competitor to HERE in embedded navigation solutions for the automotive industry, also licenses map data to other industries, including the consumer markets, and counts Apple as one of its customers. Apple, which offers its own mapping service, has sought to strengthen its location assets and capabilities through targeted acquisitions and organic growth.

Nokia Technologies

General

Nokia Technologies develops and licenses technologies which enable a world where everything and everyone are connected. Nokia seeks to create value from its investments by expanding its successful patent licensing program and helping other companies and organizations benefit from Nokia's innovations through its established and successful licensing business. Additionally, Nokia is also exploring the possibility of utilizing new technologies in its own future products and services.

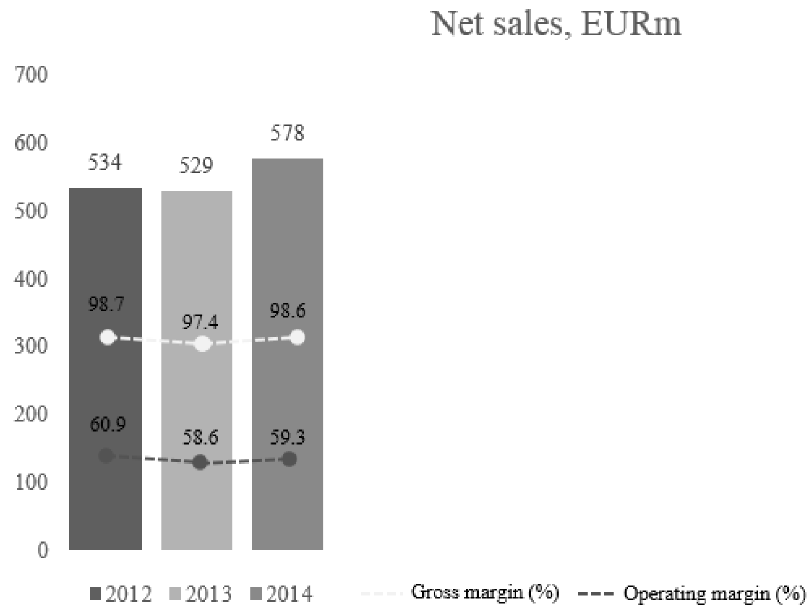
Nokia Technologies was formed upon the closing of the Sale of the Devices & Services Business. The Nokia Technologies business combines a leading team from Nokia's former CTO organization with Nokia's world-class IPR activities. The business builds on the foundation established by Nokia's cumulative investment of more than EUR 50 billion in R&D over the last two decades.

Nokia Technologies manages an IP portfolio of approximately 10 000 patent families comprised of approximately 30 000 individual patents and patent applications.

Nokia Technologies' primary technology centers located in Espoo and Tampere, Finland, Cambridge, the United Kingdom and Silicon Valley, the United States.

As at June 30, 2015, Nokia Technologies and Group Common Functions had a total of 1 173 employees.

For the period ended June 30, 2015, Nokia Technologies' net sales totaled EUR 459 million and for the year ended December 31, 2014, Nokia Technologies' net sales totaled EUR 578 million.



Products

Z Launcher by Nokia is an intuitive Android launcher that adapts to user inputs, surfacing relevant applications and content at the right moment. Any application can be accessed in one second through an exceedingly simple handwriting feature.

The N1 Android tablet is a brand-licensed product for which Nokia Technologies contributed the industrial design and Z Launcher software. N1 is brought to market by a manufacturing and sales partner, and is available in China and in Taiwan.

OZO is an innovative virtual reality camera designed for professional content creators. OZO captures 3D 360 video and spatial audio and enables key features for content creators including live monitoring and playback without the need to preassemble a panoramic image. OZO is scheduled to come to market in during the last quarter of 2015.

Nokia Technologies is a leading innovator in key cellular standards, as well as wireless LAN, NFC and various audio, speech and video codecs.

Customers

Nokia Technologies has agreed patent licensing terms with more than 100 companies, more than 80 of which cover wireless standard patents. Nokia Technologies further sees opportunities in licensing its proprietary technologies, intellectual property and brand assets into telecommunications and adjacent industries. Over the past ten years, Nokia has also systematically licensed certain Nokia proprietary technologies, which it has decided not to reserve solely for Nokia's internal use. This has enabled numerous companies and businesses to benefit from Nokia's innovations, in areas such as connectivity and imaging. No single customer represents 10% or more of Nokia Group's revenues.

Sales and Marketing

Nokia Technologies pursues new business opportunities built on Nokia's innovations and the Nokia brand. Nokia Technologies develops and licenses cutting-edge innovations that are powering the next revolution in computing and mobility. Nokia Technologies manages its intellectual property as a technology asset and seeks a return on its investments by making its innovations available to the markets through licensing activities and transactions. Nokia Technologies has agreed patent licensing terms with more than 100 companies, more than 80 of which cover wireless standard patents.

Innovations from Nokia Technologies' R&D activities created and shaped many of the fundamental technologies used in all mobile products and in multiple wireless communications technologies today. Nokia Technologies is continuing to build on that heritage to drive further innovations, with a focus on multimedia, connectivity, sensing and material technologies, as well as imaging, audio, web and cloud technologies. Nokia Technologies sees three main means for monetizing its innovations: 1) patent licensing; 2) technology licensing; and 3) brand licensing. Additionally, Nokia Technologies' incubation activities may from time to time lead to concepts that it could consider licensing or bringing to the market as products or services ourselves.

Competition

Nokia's current patent portfolio spans a number of technology categories including radio connectivity and networking, multimedia, user interface and software, hardware, product, and mapping and location services. As Nokia Technologies expands its successful licensing program to cover patents which have not been broadly licensed to date, as well as proprietary technologies and other intellectual property, it could face competition from alternate technologies or solutions.

Production Facilities

On June 30, 2015, Nokia Networks had six manufacturing facilities globally: three in China (Beijing, Shanghai and Suzhou), one in Finland (Oulu), one in India (Chennai) and one in Japan (Saedo).

In addition to Nokia Networks' strong manufacturing capabilities, it also utilizes third-party suppliers for certain components and sub-assembly for certain products. Examples include company-specific integrated circuits and radio frequency components. Nokia Networks then assembles these components and sub-assemblies into final products and solutions and, for selected products and solutions, its suppliers also deliver goods directly to customers. This system provides Nokia Networks with considerable flexibility in its manufacturing and enables it to meet demands related to cost, availability and customer requirements more easily.

The following table shows the productive capacity per location of major manufacturing facilities for Nokia Networks' infrastructure equipment at June 30, 2015.

Country (location)	Location and products[1]	Productive capacity, Net (m2)[2]
China (Beijing)	Switching systems and radio controllers	6 749
China (Shanghai)	Base stations, transmission systems	15 954
China (Suzhou)	Base stations	8 968
Finland (Oulu)	Base stations	8 364
India (Chennai)	Base stations, radio controllers and transmission systems	11 962
Japan (Saedo)	Base stations	8 803

[1] Nokia Networks considers the production capacity of its manufacturing facilities to be sufficient to meet the requirements of its network infrastructure business. The extent of utilization of its manufacturing facilities varies from plant to plant and from time to time during the year. None of these facilities is subject to a material encumbrance.
[2] Productive capacity equals the total area allotted to manufacturing and to the storage of manufacturing-related materials.

Property, Plant and Equipment

The headquarters of Nokia are located at the address Karaportti 3, FI-02610 Espoo, Finland. Nokia holds the headquarters as tenant. The total net book value of Nokia's property, plant and equipment was EUR 716 million at December 31, 2014 (EUR 566 million at December 31, 2013, EUR 1 431 million at December 31, 2012).

List of Nokia's Material Properties

The following table sets out Nokia's material properties as of the date of this Listing Prospectus. There are no material encumbrances relating to the owned properties listed below.

Country	State	City	Basis of Holding	Type of Use	Total Net Internal Area
China	Beijing	Beijing	Leasehold	Office	21 629
	Beijing	Beijing	Leasehold	Production	6 512
	Jiangsu	Suzhou	Freehold, Owned	Production	16 281
	Shanghai	Shanghai	Freehold, Owned	Production	24 368
	Sichuan	Chengdu	Leasehold	Office	10 354
	Zhejiang	Hangzhou	Leasehold	Office	31 364
			Leasehold	Office	7 778
Finland		Espoo	Leasehold	Office	64 315
		Oulu	Leasehold	Production	61 291
		Tampere	Leasehold	Office	12 140
		Tampere	Leasehold	Office	3 684
France		Courbevoie	Licensed	Office	1 192
Germany		Munich	Leasehold	Office	32 258
		Ulm	Leasehold	Office	15 460
		Berlin	Leasehold	Office	13 358
Hungary		Budapest	Leasehold	Office	14 610
			Leasehold	Office	3 910
India		Chennai	Freehold, Owned	Production	47 009
			Leasehold	Office	9 671
		Bangalore	Leasehold	Office	35 845
		Noida	Leasehold	Office	12 105
		Gurgaon	Leasehold	Office	5 500
			Leasehold	Office	1 027
		Mumbai	Leasehold	Office	2 359
			Leasehold	Office	1 710
			Leasehold	Office	-
		Navi Mumbai	Leasehold	Office	3 009
Mexico		León	Leasehold	Production	2 047
Netherlands		Veldhoven	Leasehold	Office	3 564
Philippines		Quezon City	Leasehold	Office	9 384
Poland		Wroclaw	Leasehold	Office	14 611
			Leasehold	Office	8 207
			Leasehold	Office	-
Portugal		Amadora	Leasehold	Office	9 610
		Aveiro	Leasehold	Office	1 135
Russia		Voronezh	Leasehold	Network Operations	556
Switzerland		Geneva Petit-L	Leasehold	Office	686
United Kingdom		Cambridge UK	Leasehold	Office	974
		London	Leasehold	Office	456
USA	California	Sunnyvale	Leasehold	Office	10 417
	Illinois	Chicago	Leasehold	Office	21 372
		Arlington Heigh	Leasehold	Office	16 565
	Massachusetts	Burlington	Leasehold	Office	3 215
	North Dakota	Fargo	Leasehold	Production	4 829
	Texas	Irving	Leasehold	Office	23 964
	Washington	Seattle	Leasehold	Office	2 424
Grand Total					**592 758**

Environment

Protecting the Environment

Nokia's environmental work focuses on minimizing the potential adverse impact of its businesses and operations, and is based on global principles and standards that Nokia integrate in its activities.

The most important areas of Nokia's environmental work, based on the extent of their impact on the environment and Nokia's ability to manage them, originate from the Company's Nokia Networks business.

To minimize the environmental impact of its networks business, Nokia focuses on designing products and services that help telecommunications operators reduce the environmental impact of their networks. In addition, Nokia aims to continuously minimize the environmental impact of its own operations in each of Nokia's businesses. Nokia's environmental management system ("EMS") helps Nokia monitor progress and identify ways to further improve in environmental matters. At Nokia Networks, EMS is ISO 14001 certified. As an example of Nokia's progress in 2014, Nokia was able to reduce the usage of packaging material by increasing the usage of the "box on pallets" product delivery method (where boxes are loaded directly on to pallets without any additional containers). This change also increased packaging density which in turn decreased the CO2 emissions and costs in these particular deliveries.

Emissions

The use phase of Nokia's products is responsible for at least three-quarters of Nokia's total lifecycle greenhouse gas emissions. Nokia improves the energy efficiency of its products in use by refining hardware models, developing software and supporting customers with energy management services. Nokia continues to introduce enhancements that achieve further savings, including low-power servers and controllers, software and solutions to provide more capacity with less power. In 2014, Nokia focused on improving the measurement of product energy efficiency, following the European Telecommunications Standards Institute's (ETSI) standard. All of Nokia's new radio product releases were measured according to the ETSI TS 102 706 standard to ensure they are comparable with similar products on the market.

In its operations, Nokia is cutting emissions by improving energy efficiency, purchasing certified renewable energy from the grid, and promoting less travel and lower carbon modes of travel. Nokia also focuses on improving the efficiency of computers and data centers to reduce emissions from its IT operations. Nokia's laboratories are its most energy-intensive buildings and Nokia is improving the efficiency of lab cooling systems to cut energy consumption. Nokia aims to continually improve the efficiency of logistics, reducing environmental impacts from the transport of components from suppliers and products to customers. To reduce emissions from logistics, Nokia focuses on reducing packaging and the use of air freight.

Waste Management and Water Use

Nokia's waste management efforts focus on reducing the amount of waste as a whole, minimizing the amount of waste going to landfill as well as reusing products and materials, and avoiding the use of disposables.

Nokia's packaging is generally recyclable and Nokia uses recycled fiber wherever possible. Nokia also reuses the product packaging that it receives at its inbound distribution hub, for outbound products.

Nokia accepts telecom equipment back at the end of its useable life, including that of other manufacturers, to ensure that it is disposed of responsibly and sustainably. A small number of reputable recycling contractors treat everything from components to entire products, recycling materials where possible and disposing of hazardous waste responsibly. Customers may purchase a complete service covering installation of new equipment, decommissioning, collection, warehousing, contract recycling and reporting, depending on their needs.

Even though Nokia's operations are not water intensive, Nokia monitors water usage to identify and implement water savings measures wherever possible, and supports reductions in water use through campaigns and training.

Managing Substances

Nokia aims to have full knowledge of all substances in its products, making sure that Nokia meets or exceeds applicable regulations and minimizes adverse impacts on human health and the environment. Nokia maintains a substance list detailing items that are banned or restricted in Nokia's products and packaging, or that Nokia plans to reduce or phase out in future. To ensure compliance of its supplier, Nokia includes the list requirements in its purchasing process.

Nokia's substance team follows the development of legislation and market requirements to ensure Nokia is well prepared for new restrictions on substance use. The European Chemical Agency manages the REACH regulation, publishing a list of substances of very high concern (SVHC) twice a year. Every time a new list is published Nokia checks in its component data management system if any SVHC are used in parts and components. Nokia then contacts suppliers to clarify the potential to phase out or substitute any SVHC item.

Environmental Provisions

At December 31, 2014, Nokia had provisions that related to environmental liabilities of EUR 5 million related to Nokia's site in Marcianise, Italy as well as EUR 0.6 million and EUR 10.3 million that were recognized in connection with the sale Nokia's chemicals factory in Äetsä, Finland and cables factory in Pikkala, Finland, respectively.

Investments

Nokia invests in technologies important in a world where billions of devices are connected, with the vision to expand the human possibilities of technology. Nokia Networks is investing in new market opportunities such as small cells, Telco Cloud, data analytics, security and Internet of Things. In 2014, Nokia Networks invested EUR 1.8 billion in R&D, making it one of the largest R&D investors in the telecommunications industry. Nokia Networks' future investments are focused on further strengthening Nokia Networks' position in mobile broadband radio networks through investments in 5G, small cells and radio cloud. HERE is investing in technologies and analytics capabilities to ensure HERE's location cloud can harness the collective power of the data these devices generate to deliver real-time, predictive and relevant information to every individual user. In addition to opportunities in the automotive and enterprise markets, HERE invests in and targets growth opportunities in the internet and consumer electronic industries. Nokia Technologies business builds on the foundation established by Nokia through investing cumulatively more than EUR 50 billion in R&D over the last two decades.

In addition, Nokia invests through acquisitions. In 2014, the Nokia Group acquired four businesses (SAC Wireless, Medio Systems Inc., Desti, Mesaplexx Pty Ltd.) for a combined purchase consideration of EUR 175 million. On August 7, 2013, the Nokia Group completed the acquisition of Siemens' 50% interest in the joint venture, Nokia Networks (formerly Nokia Siemens Networks, Nokia Solutions and Networks), for a consideration of EUR 1 700 million. Transaction-related costs amounted to EUR 7 million. Following the acquisition, Nokia Siemens Networks B.V., the parent entity of Nokia Networks, became a wholly owned subsidiary of the Nokia Group. For further information on Nokia's acquisitions, refer to the section "*Operating and Financial Review and Prospects—Nokia—Acquisitions and Divestments*". Further, assuming the Completion of the Exchange Offer, Nokia would acquire Alcatel Lucent. For further information, refer to the section "*The Alcatel Lucent Transaction*".

Research and Development

Nokia Networks

Nokia Networks has 11 Global Technology Centers, each with individual technology and competence specialties. These are located in China, Finland, Germany, Greece, Hungary, India, the Philippines, Poland and the United States.

Nokia Networks organizes its R&D teams in a flat structure, resulting in advantages such as cost effectiveness and speed. Nokia Networks is focused on creating a strong partner ecosystem and makes efforts to ensure the effective management of portfolio for its partners and suppliers and for their products. The Mobile Broadband segment is responsible for most of Nokia Networks' R&D internally.

Nokia Networks has a joint venture company TD Tech Communication Technologies Ltd for development and manufacturing of TD-SCDMA and LTE technologies and related products in Beijing, Shanghai and Chengdu, China. The company is owned between Nokia Networks (51%) and Huawei Technologies Co. Ltd. (49%), and Nokia has ownership of the system in which the commonly created products are inserted. The joint venture has supported the growth of Nokia's market position in China, and demonstrates that this partnering has been of great mutual benefit for both enterprises. Mutual customization of the most commoditized part of the portfolio allows Nokia Networks to focus on lowering cost while producing a higher value offering.

As a result of its investments in R&D, Nokia Networks is one of the largest R&D investors in the telecommunications industry, with total R&D expenses amounting to EUR 1.8 billion in 2014. Nokia expects these capabilities to enable Nokia Networks to continue to drive innovation in the dynamic telecommunications sector, where product development constantly needs to improve in speed and efficiency in order to help operators cope with increasing subscriber demands and exponential data traffic growth.

Nokia believes that the geographical diversity of Nokia Networks' R&D network is an important competitive advantage for the Company. In addition, the ecosystem around each of its R&D sites helps it connect with experts on a global scale, a network that it complements by co-operation with universities and other research facilities.

Nokia Networks further complements its R&D efforts through its Technology & Innovation team, which focuses on developing and prototyping new and futuristic technologies, such as 5G, that are several years from reaching the market. The team is responsible for the technology vision, long-term research, innovation, standardization and IPR management of Nokia Networks, and it co-operates with top customers, partners, universities, research institutes and industry bodies globally to drive Nokia Networks' technology and innovation agenda.

HERE

HERE's business is R&D-intensive with total R&D expenses amounting to EUR 545 million in 2014. The HERE team is focused on building and enriching its core map, as well as developing the platform and cloud technologies through which HERE can ensure the effective delivery of the map and location services to its customers irrespective of the device they use.

In addition to collecting data with HERE's own fleet of cars, HERE aggregates data from another 80 000 sources, including parking, gas price, traffic, weather and points of interest data. To maintain the freshest maps, HERE compiles, tests and publishes them continuously. From usage, HERE collects billions of data points to update its real-time traffic, routing and search engines.

A primary focus for HERE's longer-term R&D efforts is on the development of software, cloud and data analytical capabilities in preparation for the anticipated emergence of highly automated driving before the end of the decade. HERE's investments are focusing on addressing what it sees as three of the most critical technological challenges: the vehicle's ability to precisely localize itself on the road, what lies ahead of the vehicle, and how can HERE program vehicles equipped with HERE technology to drive like humans rather than robots, albeit with greater awareness of, and faster responsiveness to, changing road conditions and events.

Automation on the road requires that vehicles communicate directly with other vehicles as well as indirectly via cloud technologies and roadside infrastructure. Consequently, HERE is advocating for a new international regulatory architecture that would enable companies and organizations to harness these data flows to bring new safety and sustainability benefits to road users. The benefits could be significant considering that the majority of accidents that occur on the road are a result of human error. From an R&D perspective, HERE is focused on addressing key technological requirements of vehicle automation, such as how HD maps can complement a vehicle's on-board sensors to aid with precise vehicle localization. HERE has already participated in a number of automated driving pilots with major automotive companies, including Mercedes-Benz.

Nokia Technologies

The Nokia Technologies team consists of a great number of world-class scientists and engineers who have driven more than half of Nokia's recent patent filings and many of whom are recognized as leading experts in fields that are essential for enabling the connected world. These fields include low-power connected smart multi-sensor systems, distributed sensing, and intelligent interplay between various types of radio technologies.

Additionally, Nokia Technologies' team has been particularly strong in 3G and 4G innovation, media codecs and imaging, for example. The applied nature of Nokia's R&D in Nokia Technologies has resulted in various relevant and valuable inventions both in and around the technology areas, which Nokia Technologies believes are important in the connected world, as well as for emerging consumer experiences.

Nokia Technologies has advanced R&D activities in countries including Finland, the United Kingdom, and the United States.

Nokia Technologies holds several central roles in standardization bodies and contributes to standardization work by filing technical proposals which, when found relevant, are often accepted and embodied in standards. In addition, Nokia Technologies develops reference implementations while defining the standards, which result in significant innovations covering proprietary ways to implement relevant technologies.

Intellectual Property

Nokia Networks

Intellectual property assets are fundamental to Nokia Networks. As an industry leader in the R&D of wireless, broadband and transport technologies, Nokia Networks has a robust patent portfolio in a broad range of technology areas and Nokia seeks to safeguard its investments in technology through appropriate protection. Nokia has generated and maintained an extensive IPR portfolio covering patents, design patents, trade secrets, trademark registrations, and copyrights. Where necessary, Nokia obtains licenses to use standard-essential and other patents in Nokia's hardware and software solutions for mobile network infrastructure.

Nokia Networks now owns a large portfolio of almost 4 000 patent families comprising approximately 11 000 individual patents and patent applications across many technologies, some of which were transferred from Nokia and Siemens at the formation of the business as Nokia Siemens Networks in 2007. Its IPR portfolio includes high-quality standard-essential patents and patent applications which have been declared to the European Telecommunications Standards Institute and other Standards Developing Organizations as essential to standards including LTE, WCDMA, GSM and other standards. In addition, Nokia Networks holds copyright registrations relating to certain aspects of its products and services.

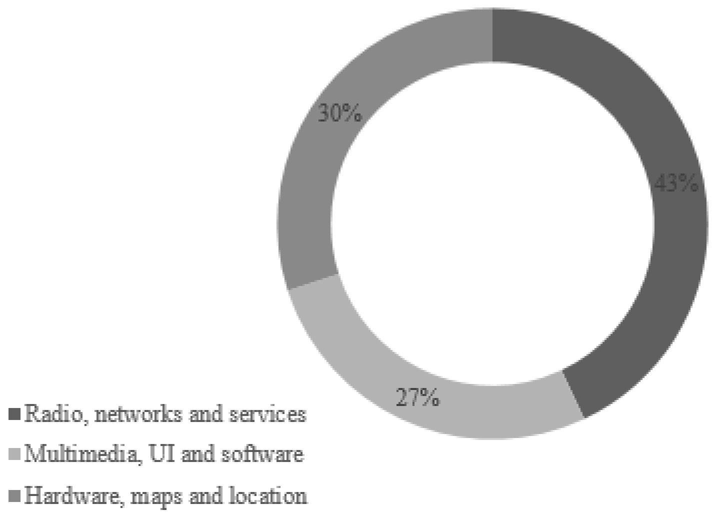
Nokia Networks receives and pays patent license royalties in the ordinary course of business based on existing agreements with telecommunications vendors. Nokia Networks has a number of patent license agreements in place with other major companies and patent holders, both directly and through Nokia, and these provide it with freedom to operate with limited risk of infringing SEPs owned by others.

Nokia Technologies

Nokia Technologies manages an IP portfolio with approximately 10 000 patent families comprised of approximately 30 000 individual patents and patent applications. In industry terms, Nokia Technologies' portfolio is relatively young: two-thirds of Nokia Technologies' current patents will continue to be in force in 2022. Nokia Technologies continues to renew its patent portfolio with innovations produced by its strong R&D team.

Nokia Technologies' current patent portfolio spans a number of technology categories including radio connectivity and networking, multimedia, user interface and software, hardware, product, and mapping and location services.

The following chart sets out a breakdown of Nokia Technologies' IP portfolio:



Legal Structure

Principal Group Companies

Nokia is the parent company of the Nokia Group. Nokia's significant subsidiaries at June 30, 2015 were:

Company name	Country of incorporation and place of business	Primary nature of business	Parent holding %	Group ownership interest %
Nokia Solutions and Networks B.V.	The Hague, Netherlands	Holding company	-	100.0
Nokia Solutions and Networks Oy	Helsinki, Finland	Sales and manufacturing company	-	100.0
Nokia Solutions and Networks US LLC	Delaware, USA	Sales company	-	100.0
Nokia Solutions and Networks Japan Corp.	Tokyo, Japan	Sales company	-	100.0
Nokia Solutions and Networks India Private Limited	New Delhi, India	Sales and manufacturing company	-	100.0
Nokia Solutions and Networks System Technology (Beijing) Co., Ltd.	Beijing, China	Sales company	-	100.0
Nokia Solutions and Networks Branch Operations Oy	Helsinki, Finland	Sales company	-	100.0
Nokia Solutions and Networks Korea Ltd.	Seoul, South Korea	Sales company	-	100.0
Nokia Solutions and Networks Taiwan Co. Ltd	Taipei, Taiwan	Sales company	-	100.0
Nokia Solutions and Networks Technology Service Co., Ltd.	Beijing, China	Sales company	-	100.0
HERE Holding Corporation	Delaware, USA	Holding company	-	100.0

HERE Global B.V.	Veldhoven, Netherlands	Holding company	1.55	100.0
HERE Europe B.V.	Veldhoven, Netherlands	Sales and holding company	-	100.0
HERE North America LLC	Delaware, USA	Sales and development company	-	100.0
HERE Deutschland GmbH	Berlin, Germany	Development company	-	100.0
Nokia Finance International B.V.	Haarlem, Netherlands	Holding and finance company	100.0	100.0
Nokia Technologies Oy	Helsinki, Finland	Sales and development company	100.0	100.0

Employees

The average number of employees in continuing operations in 2014 was 57 566 (59 333 in 2013 and 71 808 in 2012). At December 31, 2014, continuing operations had a total of 61 656 employees (55 244 employees on December 31, 2013 and 65 547 employees on December 31, 2012). The total amount of wages and salaries paid in continuing operations in 2014 was EUR 3 215 million (EUR 3 432 million in 2013 and EUR 4 295 million in 2012).

On June 30, 2015, the number of employees in Nokia was 64 003.

The following table shows the average number of employees in 2014 divided according to their business and geographical location:

Business	**Average number of employees**
Nokia Networks	50 680
HERE	6 067
Nokia Technologies and Group Common Functions	819
Total	**57 566**

Region	**Average number of employees**
Finland	6 855
Other European countries	15 523
Middle East & Africa	2 482
China	8 608
Asia-Pacific	15 838
North America	5 136
Latin America	3 124
Total	**57 566**

Legal Proceedings

Legal Matters

A number of Nokia Group companies are and will likely continue to be subject to various legal proceedings and investigations that arise from time to time, including proceedings regarding intellectual property, product liability, sales and marketing practices, commercial disputes, employment, and wrongful discharge, antitrust, securities, health and safety, environmental, tax, international trade and privacy matters. As a result, Nokia Group may incur substantial costs that may not be covered by insurance and could affect business and reputation. While management does not expect any of these legal proceedings to have a material adverse effect on its financial position, litigation is inherently unpredictable and Nokia Group may in the future incur judgments or enter into settlements that could have a material adverse effect on its results of operations and cash flows.

At June 30, 2015, Nokia had booked provisions for litigation and IPR infringements in the amount of EUR 60 million.

Litigation and Proceedings

Irish Broadband

In 2010, the Imagine group (IBB Internet Services & Irish Broadband Internet Services trading as Imagine Networks) ("IBB") served a claim in the commercial court of Ireland for breach of contract and tort against Motorola Limited. The claim was later amended to add Imagine Communications Group as an additional plaintiff. In 2011, Nokia Siemens Networks acquired certain assets and liabilities including this matter from Motorola Solutions Inc. ("Motorola"). Among other things, IBB claims that WiMax network equipment purchased from Motorola failed to perform as promised. The Nokia Group disputes these allegations. The case is still in the discovery phase and no date for trial has been set.

Vertu

Vertu was a United Kingdom-based business division of Nokia Group that specialized in the provision of luxury mobile phones. Nokia Group divested the Vertu business to Crown Bidco Ltd in 2013. In April 2014, Crown Bidco Ltd served a claim in the commercial court in London alleging breach of warranties under the sale agreement. Nokia Group disputes these allegations. The time set for the trial is January 2016.

Pars Iratel

In March 2005, Pars Iratel was contracted as a general contractor to the Mobile Communications Company of Iran ("MCCI") to deliver and implement part of a network expansion in Iran. Nokia Group provided equipment and certain services to Pars Iratel. Pars Iratel became liable for damages to MCCI and suffered other losses. Pars Iratel owes Nokia Group for some of the equipment and services provided and has made claims against Nokia Group for losses it claims to have suffered. On November 18, 2010, Nokia Siemens Tietoliikenne Oy ("NSTL") commenced ICC arbitration against Pars Iratel. The matter was heard in Zurich in August 2013. The parties are awaiting the award of the Arbitrator.

Tax Investigation in India

In 2013, the India Tax Authority commenced an investigation into withholding tax in respect of payments by Nokia India Private Limited to Nokia Corporation for the supply of operating software. Subsequently, the authorities extended the investigation to other related tax consequences and issued orders and made certain assessments. The litigation and assessment proceedings are pending. Nokia has denied all such allegations and continues defending itself in various Indian litigation proceedings and under both Indian and international law, while extending its full cooperation to the authorities.

Intellectual Property Rights Litigation

Samsung

In 2013, Nokia Group and Samsung agreed to extend their existing patent license agreement for five years from December 31, 2013. According to the agreement, Samsung will pay additional compensation to Nokia Group from January 1, 2014. The amount of this compensation will be finally settled in a binding arbitration.

LG

In June 2015, Nokia Group and LG agreed to enter a patent license agreement for five years from April 25, 2014. According to the agreement, LG will pay compensation to Nokia Group. The amount of this compensation will be finally settled in a binding arbitration.

Insurance

Nokia purchases insurance for risks which cannot be internally managed efficiently and where insurance markets offer acceptable terms and conditions. The objective is to ensure that hazard risks, whether related to physical assets, such as buildings, intellectual assets, such as the Nokia brand, or potential liabilities, such as product liabilities, are insured optimally taking into account both cost and retention levels. Nokia purchases both annual insurance policies for specific risks as well as multi-line and/or multi-year insurance policies where available.

Nokia's management believes that Nokia and its subsidiaries maintain insurance coverage that reflects the requirements and the size of the parent company, business areas and subsidiaries concerned. However, insurance may not cover all damages, in addition to which insurance policies are subject to customary limitations.

Nokia maintains various types of global insurances, such as asset-related Property Damage Insurance, Business Interruption Insurance, Transit Insurance and Erection All Risks Insurance, casualty-related General Third Party Liability Insurance (including Product Liability), Errors & Omissions Liability Insurance, Directors and Officers Liability Insurance, Fiduciary Liability Insurance and Employment Practices Liability Insurance; as well as certain other global corporate insurances.

In addition, Nokia maintains various local insurance policies that are mandatory at the local level, such as employer liability, workers compensation and auto liability insurance, as well as specific insurance policies covering compliance with local regulations.

Nokia currently owns and operates one captive insurance company, Nokatus Insurance Company Limited, which is domiciled in Ireland.

Material Agreements Outside the Ordinary Course of Business

Memorandum of Understanding Regarding a New Joint Venture with China Huaxin

On August 28, 2015, Nokia announced that it had signed a memorandum of understanding ("ASB Memorandum of Understanding" or "ASB MoU") with China Huaxin Post & Telecommunication Economy Development Center ("China Huaxin") confirming their intention to combine Nokia's telecommunications infrastructure businesses in China ("Nokia China") and Alcatel Lucent Shanghai Bell ("ASB") into a new joint venture. As agreed under the ASB MoU, Nokia expects to hold 50% plus one share in the new joint venture, with China Huaxin holding the remaining shares. Fair value compensation would be received for the contribution of relevant assets to the joint venture.

The new joint venture is conditional on and would be formed after the closing of Nokia's planned combination with Alcatel Lucent, at which point Nokia would own 50% plus one share of ASB. The new joint venture is planned to operate under the English name of Nokia Shanghai Bell and would be registered in the China (Shanghai) Pilot Free Trade Zone. The new joint venture would have one Board of Directors, one management team, unified customer and business functions, and one integrated product portfolio and R&D platform.

As agreed in the ASB MoU, Nokia and China Huaxin will negotiate the final terms of how the new joint venture would be created. A deadlock mechanism exists within the ASB MoU to ensure final agreement is reached between Nokia and China Huaxin regarding the terms of transfer and valuation of all relevant assets. This mechanism would deliver a resolution if definitive agreement has not been reached within nine months after completion of Nokia's proposed combination with Alcatel Lucent. Until the closing of the proposed combination between Nokia and Alcatel Lucent, Nokia China and ASB will continue to operate as two independent companies.

Sale of HERE to Automotive Industry Consortium

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. The transaction values HERE at an enterprise value of EUR 2.8 billion with a normalized level of working capital and is expected to close in the first quarter of 2016, subject to customary closing conditions and regulatory approvals. Upon closing, Nokia estimates that it will receive net proceeds of slightly above EUR 2.5 billion, as the purchaser would be compensated for certain defined liabilities of HERE currently expected to be slightly below EUR 300 million as part of the transaction. Upon closing of the HERE transaction, which does not affect the exchange ratio of the Exchange Offer, and assuming that the Exchange Offer has not yet been completed, Nokia will consist of two businesses: Nokia Networks and Nokia Technologies.

The Exchange Offer and the Memorandum of Understanding

On April 15, 2015, Nokia and Alcatel Lucent entered into the Memorandum of Understanding pursuant to which, among other things, Nokia agreed to make the Exchange Offer. Refer to the section "*The Memorandum of Understanding*" for information on the terms and conditions of the Memorandum of Understanding.

Acquisition of Siemens' Stake in NSN

Nokia announced the first of what would be two transformative transactions for the company during 2013 on July 1 when it announced an agreement to acquire Siemens' 50% in the companies' joint venture Nokia Siemens Networks, pursuant to the Share Purchase Agreement by and among Siemens AG, Siemens International Holding B.V., Nokia Finance International B.V. and Nokia Corporation dated July 1, 2013. The purchase price for Siemens' stake was EUR 1.7 billion and the transaction closed on August 7, 2013, at which time NSN became a wholly owned subsidiary of Nokia.

After the transaction closed, Nokia phased out the Siemens name from Nokia Siemens Networks' company name and branding and adopted Nokia Solutions and Networks, or NSN, as the name and brand. Upon the announcement of Nokia's new strategy on April 29, 2014, NSN is now known as Nokia Networks and operates under the Nokia brand.

Sale of the Devices & Services Business to Microsoft

On September 3, 2013, Nokia announced that it had signed an agreement to enter into a transaction whereby Nokia would sell to Microsoft substantially all of its Devices & Services Business including the Mobile Phones and Smart Devices business units as well as an industry-leading design team, operations including Nokia Devices & Services production facilities, Devices & Services-related sales and marketing activities, and related support functions, pursuant to Stock and Asset Purchase Agreement by and between Nokia Corporation and Microsoft International Holdings B.V. dated September 2, 2013 ("Devices & Services Purchase Agreement"). Also, in conjunction with the closing of the transaction, Nokia granted Microsoft a ten-year non-exclusive license to its patents and patent applications at the time of the execution of the agreement and Microsoft granted Nokia reciprocal rights to use Microsoft patents in HERE services, Nokia's mapping and location services business. The announced purchase price was EUR 5.44 billion, of which EUR 3.79 billion related to the purchase of substantially all of the Devices & Services Business, and EUR 1.65 billion related to the ten-year mutual patent license agreement and the option to extend this agreement in perpetuity. In addition, Microsoft became a strategic licensee of the HERE platform, and separately pays Nokia for a four-year license. On November 19, 2013, Nokia's shareholders confirmed and approved the transaction at the Extraordinary General Meeting in Helsinki, with over 99% of the votes cast in favor of the approval. Having received the approval of Nokia shareholders and regulatory authorities as well as fulfilling other customary closing conditions, the transaction closed on April 25, 2014.

Of the Devices & Services-related assets, Nokia's former CTO organization and Nokia's patent portfolio remained within Nokia Group and are currently part of the Nokia Technologies business. The operations that were transferred to Microsoft generated EUR 10.7 billion, or approximately 46%, of Nokia's net sales for the full year 2013, and in 2014 generated net sales of EUR 2.5 billion. As is customary for transactions of this size, scale and complexity, Nokia and Microsoft made certain adjustments to the scope of the assets originally planned to transfer. These adjustments included Nokia's manufacturing facilities in Chennai in India and Masan in the Republic of Korea not transferring to Microsoft.

In India, Nokia's manufacturing facility is subject to an asset freeze by the Indian tax authorities as a result of ongoing tax proceedings. Microsoft and Nokia agreed to a transfer service agreement whereby Nokia would produce mobile devices for Microsoft, but this agreement was terminated by Microsoft at the end of October 2014 and production at the site was suspended as of November 1, 2014. Nokia has called on the Indian government to lift the asset freeze so it can explore potential opportunities for a sale to a suitable buyer. Refer also to "*Risk Factors—Risks Relating to the Operating Environment, Business and Financing of Nokia*".

In the Republic of Korea, Nokia and Microsoft agreed to exclude the Masan facility from the scope of the transaction, and Nokia closed the site in 2014.

Altogether, and accounting for these adjustments, approximately 25 000 employees transferred to Microsoft at the closing of the deal on April 25, 2014.

Following the transaction, Nokia continues to own and maintain the Nokia brand. Under the terms of the transaction, Microsoft received a ten-year license arrangement with Nokia to use the Nokia brand on certain mobile phones products. Additionally, Nokia is restricted from licensing the Nokia brand for use in connection with mobile device sales for 30 months and from using the Nokia brand on Nokia's own mobile devices until December 31, 2015.

Following the closing of the transaction, Nokia relocated its headquarters to the Karaportti campus in Espoo, Finland.

Related Party Transactions

Nokia Group has related party transactions with a pension fund, associated companies, and the management and the Board of Directors. Transactions and balances with companies over which the Nokia Group exercises control are eliminated on consolidation. For information on the remuneration of and transactions with management and the Board, refer to the section "*Board of Directors, Management and Auditors—Nokia—Management Remuneration and Benefits"* and *"Board of Directors, Management and Auditors—Nokia—Termination Benefits*".

Transactions with Pension Fund

In 2014, Nokia Group has borrowings amounting to EUR 69 million (EUR 69 million in 2013) from Nokia Unterstützungsgesellschaft GmbH, the Nokia Group's German pension fund, a separate legal entity. The loan bears interest at the rate of 6% per annum and its duration is pending until further notice by the loan counterparties who have the right to terminate the loan with a 90-day notice. The loan is included in long-term interest-bearing liabilities in the consolidated statement of financial position.

Transactions with Associated Companies

EURm	**2014**	**2013**	**2012**
Share of results of associated companies (expense)/income	(12)	4	(1)
Dividend income	-	5	-
Share of shareholders' equity of associated companies	51	53	46
Sales to associated companies	1	6	12
Purchases from associated companies	305	178	150
Receivables from associated companies	-	-	1
Payables to associated companies	35	12	32

On December 31, 2014 Nokia Group has given financial guarantees of EUR 13 million (EUR 16 million in 2013 and EUR 11 million in 2012) on behalf of associated companies.

Other Related Party Transactions

There have been no material transactions during the last three fiscal years to which any director, executive officer or 5% shareholder, or any relative or spouse of any of them, was a party. There is no significant outstanding indebtedness owed to Nokia by any director, executive officer or 5% shareholder. There are no material transactions with enterprises controlling, controlled by or under common control with Nokia or associates of Nokia.

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Overview

Alcatel Lucent is a French société anonyme, established in 1898, originally as a listed company named Compagnie Générale d' Électricité. Alcatel Lucent is registered at the Nanterre Trade and Companies Registry under number 542 019 096. Its APE business activity code is 7010Z. Alcatel Lucent's corporate purpose is the design, manufacture, operation and sale of all equipment, material and software related to domestic, industrial, civil, military or other applications concerning electricity, telecommunications, computers, electronics, aerospace industry, nuclear energy, metallurgy, and, in general, of all the means of production or transmission of energy or communications (cables, batteries and other components), as well as, secondarily, all activities relating to operations and services in connection with the above-mentioned means worldwide. It may acquire interests in any company, regardless of its form, in associations, French or foreign business groups, whatever their corporate purpose and activity may be and, in general, may carry out any industrial, commercial, financial, assets or real estate transactions, in connection, directly or indirectly, totally or partially, with any of the corporate purposes set out in Article 2 of its Articles of Association and with all similar or related purposes.

Alcatel Lucent currently has two operating segments: Core Networking and Access. Until March 2014, Alcatel Lucent had a third operating segment: Other. The Core Networking segment includes three business divisions: IP Routing, IP Transport and IP Platforms. In 2014, revenues in the Core Networking segment were EUR 5.97 billion, representing 45% of Alcatel Lucent's total revenues. The Access segment includes four business divisions: Wireless, Fixed Access, Licensing and Managed Services. In 2014, revenues in the Access segment were EUR 7.16 billion, representing 54% of Alcatel Lucent's total revenues. Until 2014, the Other segment included the government business, which built and delivered complete turnkey solutions in support of U.S. federal government agencies in the U.S. On March 31, 2014, Alcatel Lucent completed the disposal of LGS Innovations LLC. In 2014 revenues in Alcatel Lucent's Other segment were EUR 41 million, representing less than 1% of Alcatel Lucent's total revenues.

Alcatel Lucent's principal office is located at 148/152 Route de la Reine 92100 Boulogne-Billancourt, France, and the telephone number is +33 (0)1 55 14 10 10.

Alcatel Lucent is subject to all laws governing business corporations in France, specifically the provisions of the commercial code and the financial and monetary code.

The Alcatel Lucent Shares are traded on Euronext Paris under the symbol "ALU" and Alcatel Lucent ADSs are traded on the NYSE under the symbol "ALU". As of September 30, 2015, 2 838 984 750 Alcatel Lucent Shares were outstanding, including 40 115 200 Alcatel Lucent Shares held in treasury by Alcatel Lucent and including the Alcatel Lucent Shares represented by Alcatel Lucent ADSs. As of June 30, 2015, 499 863 626 Alcatel Lucent Shares were represented by Alcatel Lucent ADSs. The ISIN code of the Alcatel Lucent Shares is FR0000130007. A shareholder has the right to as many votes as the number of shares that he owns or represents. However, fully paid registered shares, registered in the name of the same holder for at least three years, have double voting rights. The Alcatel Lucent Shares have a nominal value of EUR 0.05.

The OCEANEs are traded on Euronext Paris, under the symbol "YALU" for the 2018 OCEANEs, "YALU1" for the 2019 OCEANEs and "YALU2" for the 2020 OCEANEs. As of September 30, 2015, the number of 2018 OCEANEs outstanding was 349 413 680, the number of 2019 OCEANEs outstanding was 167 500 000, and the number of 2020 OCEANEs outstanding was 114 499 995.

Key Strengths

For information about Alcatel Lucent's key strengths, refer to sections "*Activity Overview*"[9] on pages A-9 to A-13 and "*Description of the Group's activities—Business organization*" on pages A-38 to A-39 of Annex A.

Business Strategy

For information about Alcatel Lucent's business strategy including the implementation of the Shift Plan, refer to section "*Operating and financial review and prospects—Strategy and Outlook*" on pages A-76 to A-78 of Annex A.

History

For information about Alcatel Lucent's history, refer to section "*Information about the Group—History and development*" on pages A-28 to A-31 of Annex A.

Alcatel Lucent's Business Operations

For information about Alcatel Lucent's business operations, refer to section "*Activity Overview*"[9] on pages A-9 to A-13 and section "*Description of the Group's activities*" on pages A-38 to A-50 of Annex A.

Real Estate and Equipment

For information about Alcatel Lucent's production facilities and Alcatel Lucent's property, plant and equipment, refer to section "*Information about the Group—Real estate and equipment*" on pages A-33 to A-34 of Annex A.

Environment

For information about environmental matters at Alcatel Lucent, refer to section "*Sustainability—Environment*" on pages A-148 to A-150 and section "*Sustainability—Environment*" on pages A-375 to A-388 of Annex A.

Research and Development

For information about Alcatel Lucent's research and development, refer to section "*Description of the Group's activities—Technology, research and development*" on pages A-47 to A-49 of Annex A.

Intellectual Property

For information about Alcatel Lucent's intellectual property, refer to section "*Description of the Group's activities—Intellectual Property*" on page A-49 of Annex A.

Legal Structure

For information about Alcatel Lucent's legal structure, refer to section "*Information about the Group—Structure of the main consolidated companies as of December 31, 2014*" on page A-32 of Annex A and "*Notes to unaudited interim*

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[9] In the section "*Activity Overview*", Alcatel Lucent makes statements regarding its market position. These statements are based on the following reports: For the business division IP Routing (A-10) on Dell'Oro Q4'14 Routing; the business division IP Transport (A-10) on Dell'Oro Q4'14 Optics Table; the business division IP Platforms (A-11) on Exact Ventures Report as of Q3'14.

Within the business division Wireless (A-11), for Total Wireless Radio Access Networks (RAN) on Dell'Oro Q4'14 Mobile RAN Vendor Table; for LTE on Dell'Oro Q4'14 LTE Vendor Table; for small cell industry on ABI Research June 2014 Small Cell Access Points Report.

Within the business division Fixed Access (A-12), for broadband access on Dell'Oro Q4'14 DSL Access Concentrators Vendor Table; for very-high-bit-rate digital subscriber line (VDSL2) on Dell'Oro Q4'14 VDSL Vendor Table; for gigabit passive optical network (GPON) technology on Dell'Oro Q4'14 PON Vendor Table.

condensed consolidated financial statements—Note 3 Changes in consolidated companies" on page A-446 of Annex A.

Employees

For information about Alcatel Lucent's employees, refer to section "*Sustainability—Human resources*" on pages A-150 to A-152 and section "*Sustainability—Human resources*" on pages A-388 to A-400 of Annex A.

Legal Proceedings

For information about Alcatel Lucent's legal proceedings, refer to section "*Operating and financial review and prospects—Legal Matters*" on pages A-80 to A-82 of Annex A.

Insurance

For information about Alcatel Lucent's insurances, refer to section "*Risk Factors*" on page A-23 of Annex A.

Material Agreements Outside the Ordinary Course of Business

For information about Alcatel Lucent's material agreements outside the ordinary course of business, refer to section "*Information about the Group—Material contracts*" on pages A-34 to A-35 of Annex A.

Additionally, Nokia and Alcatel Lucent entered into the Memorandum of Understanding on April 15, 2015, pursuant to which, among other things, Nokia agreed to make the Exchange Offer. Refer to the section "*The Memorandum of Understanding*" for information on the terms and conditions of the Memorandum of Understanding.

Related Party Transactions

For information about Alcatel Lucent's related party transactions, refer to section "*Corporate Governance—Regulated agreements*" on pages A-119 to A-120 of Annex A.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Nokia

The following discussion should be read in conjunction with Nokia's audited consolidated financial statements and the related notes for the financial years ended December 31, 2014, 2013 and, 2012, as well as the unaudited interim report for the six months ended on June 30, 2015, all of which are incorporated by reference into this Listing Prospectus. This discussion includes Nokia's HERE business as part of Nokia's continuing operations for all periods presented. The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS). This discussion includes forward-looking statements which inevitably involve risks and uncertainties. Actual results may differ materially from the results described in the forward-looking statements contained herein. Refer to the sections "Cautionary Statement Regarding Forward-Looking Statements", "Risk Factors" and "Nokia—Prospects" set forth elsewhere in this Listing Prospectus.

All statements in this section regarding the competitive position of Nokia or the Combined Company are based on the view of Nokia's management unless otherwise explicitly stated.

Overview

Nokia is a Finnish corporation, established in 1865 and organized under the laws of the Republic of Finland. The company is registered with the Finnish Trade Register under the business identity code 0112038-9. Under its Articles of Association in effect on the date of this Listing Prospectus, Nokia's corporate purpose is to engage in the telecommunications industry and other sectors of the electronics industry as well as the related service businesses, including the development, manufacture, marketing and sales of mobile devices, other electronic products and telecommunications systems and equipment as well as related mobile, Internet and network infrastructure services and other consumer and enterprise services. Nokia may also create, acquire and license intellectual property and software as well as engage in other industrial and commercial operations. Further, Nokia may engage in securities trading and other investment activities.

Nokia has three businesses (Nokia Networks, HERE and Nokia Technologies) and four operating and reporting segments for financial reporting purposes: Mobile Broadband and Global Services within Nokia Networks, HERE and Nokia Technologies. Beginning in the third quarter 2013 and following the Sale of the Devices & Services Business to Microsoft, Nokia has reported financial information for the two operating and reportable segments within Nokia Networks: Mobile Broadband and Global Services. As of the fourth quarter 2013, the Devices & Services Business has been reported under discontinued operations. To reflect these changes, historical results for 2012 has been regrouped for comparative purposes.

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies, comprising AUDI AG, BMW Group and Daimler AG. The transaction values HERE at an enterprise value of EUR 2.8 billion with a normalized level of working capital and is expected to close in the first quarter of 2016, subject to customary closing conditions and regulatory approvals. Upon closing, Nokia estimates that it will receive net proceeds of slightly above EUR 2.5 billion, as the purchaser would be compensated for certain defined liabilities of HERE currently expected to be slightly below EUR 300 million as part of the transaction. Upon closing of the HERE transaction, which does not affect the exchange ratio of the Exchange Offer, and assuming that the Exchange Offer has not yet been completed, Nokia will consist of two businesses: Nokia Networks and Nokia Technologies. For the illustrative effect of the HERE transaction on Nokia's financial information, refer to the section "*Unaudited Pro Forma Condensed Combined Financial Information*".

On October 7, 2015, Nokia announced that after the Completion of the Exchange Offer, Nokia's Networks business would be conducted through four business groups: Mobile Networks, Fixed Networks, Applications & Analytics and IP/Optical Networks. Alongside these, Nokia Technologies would continue to operate as a separate business group. In addition, Nokia expects to align its financial reporting under two key areas: Nokia Technologies and the Networks business. Nokia also expects to provide selective financial data separately for each of the four Networks business groups to ensure transparency for investors over the performance of each of them. Nokia expects to announce further details of the new financial reporting structure after the closing of the exchange offer.

The Transaction

Overview. On April 15, 2015, Nokia and Alcatel Lucent entered into the Memorandum of Understanding pursuant to which and subject to its terms and conditions, Nokia is offering to acquire all of the Alcatel Lucent Securities through the Exchange Offer. In the Exchange Offer, Alcatel Lucent Securities will be exchanged for Nokia Shares or Nokia ADSs with an exchange ratio of 0.55 Nokia Shares or 0.55 Nokia ADSs for every Alcatel Lucent Share and Alcatel Lucent ADS validly tendered into the Exchange Offer and such number of Nokia Shares per one OCEANE that is based on the exchange ratio of 0.55 Nokia Shares per each Alcatel Lucent Share which would be issuable upon conversion or exchangeable upon exchange of the OCEANE at the conversion/exchange ratio which will apply on the date of commencement of the Exchange Offer. The Exchange Offer is expected to be completed in the first half of 2016.

Accounting treatment. The Acquisition is expected to be accounted for as a business combination using the acquisition method of accounting under IFRS with Nokia considered as the acquirer. For more information on the illustrative impacts of the Acquisition on Nokia's historical financial information, please see the section *"Unaudited Pro Forma Condensed Combined Financial Information".*

Opportunity to realize significant cost savings and other synergies. Nokia and Alcatel Lucent believe that the combination of Nokia's and Alcatel Lucent's businesses will create significant value for stakeholders of both companies. The Combined Company would target approximately EUR 900 million of operating cost synergies to be achieved on a full year basis in 2019, assuming Completion of the Exchange Offer no later than the end of the first half of 2016. The operating cost synergies are expected to create a long-term structural cost advantage, coming from a wide range of areas, including:

- organizational streamlining, rationalization of overlapping products and services, central functions, and regional and sales organizations;
- reduction of various overhead costs in real estate, manufacturing and supply-chain, information technology and overall general and administrative expenses, including redundant public company costs;
- procurement given expanded purchasing requirements of the Combined Company; and
- R&D efficiencies, particularly in wireless.

The Combined Company would also target approximately EUR 200 million of reductions in interest expenses to be achieved on a full-year basis in 2017.

Acquisitions and Divestments

During the second quarter 2015, Nokia Growth Partners sold its holdings in Ganji.com, a major online local services marketplace platform in China, to 58.com. BlueRun Ventures also invested in Ganji.com and participated in the transaction, which valued Nokia's total indirect holdings in Ganji.com at approximately EUR 200 million. Related to the transaction, Nokia recorded a gain of approximately EUR 110 million in the second quarter 2015. The final amount and timing of additional income or expense will depend on the value and date at which the venture funds liquidate the portion of the consideration that was received in shares.

In 2014, the Nokia Group acquired four businesses. The combined purchase consideration amounts to EUR 175 million. The combined goodwill arising on acquisition amounts to EUR 76 million and is attributable to assembled workforce and post-acquisition synergies. The Nokia Group expects that the majority of goodwill will not be deductible for tax purposes. Nokia's acquisitions during 2014 were:

Company/business	Description
SAC Wireless[1]	SAC Wireless is a company providing infrastructure and network deployment solutions. Nokia Group acquired 100% ownership interest on August 22, 2014.
Medio Systems Inc.	Medio Systems Inc. is a company specializing in real-time predictive analytics. Nokia Group acquired 100% ownership interest on July 2, 2014.
Desti[2]	Desti specializes in artificial intelligence and natural language processing technology. Nokia Group acquired the business on May 28, 2014.
Mesaplexx Pty Ltd.	Mesaplexx Pty Ltd. Has know-how in developing compact, high-performance radio frequency filter technology. Nokia Group acquired 100% ownership interest on March 24, 2014.

[1] Legal entities acquired are SAC Wireless LLC and HCP Wireless LLC.
[2] Asset deal.

The intangible assets are customer- and marketing-related, and technology-based intangible assets. Goodwill has been allocated to cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination, refer to "*Operating and Financial Review and Prospects—Nokia—Qualitative and Quantitative Disclosure of Financial Risk Management—Use of Estimates and Critical Accounting Judgements*". Acquisition-related costs of EUR 3 million have been charged to selling, general and administrative expenses in the consolidated income statement for the year 2014.

On August 7, 2013, the Nokia Group completed the acquisition of Siemens' 50% interest in the joint venture, Nokia Networks (formerly Nokia Siemens Networks, Nokia Solutions and Networks), for a consideration of EUR 1 700 million. Transaction-related costs amounted to EUR 7 million. Following the acquisition, Nokia Siemens Networks B.V., the parent entity of Nokia Networks, became a wholly owned subsidiary of the Nokia Group. The acquisition did not result in a change in control. The acquisition of non-controlling interest was accounted for as an equity transaction. The transaction reduced the Nokia Group's equity by EUR 783 million, representing the difference between the carrying amount of Siemens' non-controlling interest on the date of acquisition of EUR 924 million and the total consideration paid.

During 2012, the Nokia Group completed minor acquisitions that did not have a material impact on the consolidated financial statements. The purchase consideration paid and the total of goodwill arising from these acquisitions amounted to EUR 56 million and EUR 45 million, respectively.

Recent Developments

On August 3, 2015, Nokia announced an agreement to sell its HERE digital mapping and location services business to a consortium of leading automotive companies. Nokia estimates that it will receive net proceeds of slightly above EUR 2.5 billion at the closing of the HERE Transaction expected to occur in the first quarter of 2016, subject to customary closing conditions and regulatory approvals. Nokia expects to book a gain on the HERE Transaction including a related release of cumulative foreign exchange translation differences of approximately EUR 1.0 billion as a result of the HERE Transaction. HERE has been a separate operating and reportable segment for financial reporting purposes and Nokia plans to report HERE as a discontinued operation from the third quarter of 2015 onwards.

On October 7, 2015, Nokia announced the planned leadership and organizational structure for the Combined Company. However, no resolution regarding the composition of the Nokia Group Leadership Team following the Completion of the Exchange Offer has been made.

On October 8, 2015, Nokia announced that it had decided to exercise its option to redeem the Convertible Bond on November 26, 2015. Refer to the section "*Shares and Share Capital of Nokia—Other Special Rights Entitling to Shares—Convertible Bond*" for more information about the Convertible Bond.

On October 22, 2015, Nokia announced, following the receipt of all required regulatory approvals for the planned combination of Nokia and Alcatel Lucent, that the Nokia Board of Directors had resolved to convene an Extraordinary General Meeting of Shareholders to be held on December 2, 2015. Nokia announced that the Board of Directors and its Corporate Governance and Nomination Committee would submit the following proposals to the Extraordinary General Meeting:

- Proposal to authorize the Board of Directors to resolve to issue shares in order to implement the combination of Nokia and Alcatel Lucent;
- Proposal to amend the Articles of Association of the Company; and
- Proposal for changes to the composition of the Board of Directors.

The Board of Directors also reiterated its approval of the Acquisition and its unanimous recommendation to the Nokia shareholders to vote in favor of all of the above proposals made to the Extraordinary General Meeting.

Prospects

This section "Prospects" includes forward-looking statements. Forward-looking statements are no guarantees of future developments, and Nokia's actual results may differ materially from the results described in or implied by forward-looking statements contained herein due to various factors, some of them described in the sections "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors". Nokia cautions investors not to place undue reliance on these forward-looking statements, which speak only as at the date of this Listing Prospectus.

The following table sets forth Nokia's outlook as disclosed in conjunction with Nokia's Interim Report on July 30, 2015.

	Metric[1]	**Guidance**	**Commentary**
Nokia Networks	Full year 2015 Net sales	Increase year-on-year	
	Full year 2015 Non-IFRS operating margin	Around the midpoint of the long-term range of 8% - 11% for the full year	Based on factors including competitive industry dynamics, product and regional mix, expected industry seasonality in the second half of 2015, the timing of major network deployments, and expected continued operational improvement.
HERE	Full year 2015 Net sales	Increase year-on-year	
	Full year 2015 Non-IFRS operating margin	9% - 12%	Based on factors including leading market position, positive industry trends and improved focus on cost efficiency.
Nokia Technologies	Full year 2015 Net sales	Increase year-on-year	Excludes potential amounts related to the expected resolution of Nokia's arbitration with Samsung. Based on factors including higher investment in licensing activities, licensable technologies and business enablers, including go-to-market capabilities, which target new and significant long-term growth opportunities. This an update to the earlier FY15 non-IFRS operating expense
	Full year 2015 Non-IFRS operating expense	Approximately in line with Q2 2015 level (update)	

			outlook to be approximately in line with the Q4 2014 level.
Nokia	Full year 2015 capital expenditure	Approximately EUR 250 million	Primarily attributable to Nokia Networks.
	Full year 2015 financial income and expense	Expense of approximately EUR 160 million	Subject to changes in FX rates and interest-bearing liabilities.
	Full year 2015 Group Common Functions non-IFRS operating expense	Approximately EUR 120 million	
	Estimated long-term effective tax rate	Approximately 25%	
	Annual cash tax obligation	Approximately EUR 250 million per annum until deferred tax assets fully utilized	May vary due to profit levels in different jurisdictions and amount of license income subject to withholding tax.

[1] Non-IFRS measures exclude certain non-recurring items (special items). In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting-related items arising from business acquisitions.

Factors that are outside Nokia's influence affecting the outlook relate mainly to competitive industry dynamics, product and regional mix, expected industry seasonality in the second half of 2015, the timing of major network deployments, foreign exchange fluctuations and general industry trends affecting Nokia's businesses. Additional risk factors can be found in the section "*Risk Factors—Risks Relating to the Operating Environment, Business and Financing of Nokia*".

Also refer to Annex C Independent auditor's assurance report on the profit forecast included in the Listing Prospectus.

Results of Operations – Overall

The following discussion on Nokia Group's results of operations for the six months ended June 30, 2015 and the years ended December 31, 2014, 2013 and 2012 is based on the historical consolidated financial information of Nokia incorporated by reference into this Listing Prospectus and the HERE business is included as part of Nokia's continuing operations for all periods presented. The following discussion should be read in conjunction with the section *"Selected Financial Information"*.

Continuing Operations for the Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

<u>Net Sales</u>

Continuing operations' net sales for the six months ended June 30, 2015 were EUR 6 405 million, an increase of EUR 799 million, or 14%, compared to EUR 5 606 million for the six months ended June 30, 2014. The increase in continuing operations' net sales was primarily attributable to higher net sales in Nokia Networks, Nokia Technologies and, to a lesser extent, in HERE.

<u>Gross Margin</u>

Continuing operations' gross margin for the six months ended June 30, 2015 was 45.2%, compared to 44.7% for the six months ended June 30, 2014.

Operating Expenses

Continuing operations' R&D expenses were EUR 1 354 million for the six months ended June 30, 2015, an increase of EUR 185 million, or 16%, compared to EUR 1 169 million for the six months ended June 30, 2014.

Continuing operations' selling, general and administrative expenses were EUR 875 million for the six months ended June 30, 2015, an increase of EUR 109 million, or 14%, compared to EUR 766 million for the six months ended June 30, 2014.

Continuing operations' other income and expenses decreased for the six months ended June 30, 2015 to a benefit of EUR 81 million from an expense of EUR 45 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, other income and expenses included charges related to cost reduction programs of EUR 13 million. For the six months ended June 30, 2014, other income and expenses included restructuring and associated charges of EUR 52 million and transaction and other related cost reversals of EUR 4 million.

Nokia's other income and expenses was an income of EUR 81 million in the first six months of 2015, compared to an expense of EUR 45 million in the first six months of 2014. On a year-on-year basis, the change in Nokia's other income and expenses was primarily due to higher other income in Group Common Functions related to Nokia's investments made through its venture funds. During the first six months of 2015, Nokia Growth Partners sold its holdings in Ganji.com, a major online local services marketplace platform in China, to 58.com. BlueRun Ventures also invested in Ganji.com and participated in the transaction, which valued Nokia's total indirect holdings in Ganji.com at approximately EUR 200 million. Related to the transaction, Nokia recorded a gain of approximately EUR 110 million in the first six months of 2015. The final amount and timing of additional income or expense will depend on the value and date at which the venture funds liquidate the portion of the consideration that was received in shares.

Operating Profit or Loss

Continuing operations' operating profit for the six months ended June 30, 2015 was EUR 745 million, an increase of EUR 219 million, compared to an operating profit of EUR 526 million for the six months ended June 30, 2014. Continuing operations' operating margin for the six months ended June 30, 2015 was 11.6%, compared to 9.4% for the six months ended June 30, 2014. The increase in operating profit was primarily attributable to an increase in operating profit in Nokia Technologies and Group Common Functions and, to a lesser extent, in HERE. This was partially offset by a decrease in operating profit in Nokia Networks.

During the first six months of 2015, Nokia Networks recorded amounts in order to correct items previously reported in 2014 and 2013 as cost of sales and reductions to accounts receivable. The impact of this correction was to reduce cost of sales in the current period by EUR 37 million, of which EUR 7 million related to 2014 and EUR 30 million to 2013. The error related to businesses divested in 2013 where Nokia Networks continued to operate certain accounting functions under a transitional arrangement and erroneously recorded pass through costs of the disposed businesses as costs of Nokia Networks.

On a year-on-year basis, foreign exchange fluctuations had a significantly positive impact on gross profit, and a significantly negative impact on operating expenses, resulting in a slightly positive net impact on operating profit in the first six months of 2015.

Profit or Loss

Nokia's profit increased to EUR 533 million in the first six months of 2015, compared to EUR 84 million in the first six months of 2014. This was primarily due to lower financial expenses and higher operating profit, partially offset by an increase in tax expenses. The lower financial expenses were primarily due to the absence of EUR 123 million of one-time expenses related to the redemption of materially all of Nokia Networks' borrowings and the absence of a EUR 57 million accounting charge related to the repayment of EUR 1.5 billion convertible bonds issued to Microsoft, both of which negatively affected Nokia's profit in the first six months of 2014.

The share of results of associated companies in the first six months of 2015 includes an out of period adjustment of approximately EUR 25 million. Nokia has historically accounted for the results of a certain associated company in arrears, as the results have not been material. Primarily due to an increase in the entity's earnings, the amounts reflected in the first six months of 2015 should have been recorded in the fourth quarter 2014.

Continuing Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Net Sales

Continuing operations' net sales in 2014 were EUR 12 732 million, an increase of EUR 23 million, compared to EUR 12 709 million in 2013. The increase in continuing operations' net sales was primarily attributable to higher net sales in HERE and Nokia Technologies. The increase was partially offset by a slight decrease in net sales in Nokia Networks.

The increase in net sales in HERE was primarily attributable to higher sales to vehicle customers and Microsoft becoming a more significant licensee of HERE's services. The increase in net sales in Nokia Technologies was primarily attributable to higher intellectual property licensing income from certain licensees, including Microsoft becoming a more significant intellectual property licensee in conjunction with the Sale of the Devices & Services Business. The slight decrease in net sales in Nokia Networks was primarily attributable to a decrease in net sales in Global Services, as well as the absence of sales from businesses that were divested and certain customer contracts and countries that were exited in 2013. The decrease in net sales in Global Services was partially offset by an increase in net sales in Mobile Broadband.

The following table sets forth the distribution by geographical area of net sales for the years indicated.

For the year ended December 31	**2014, EURm**	**2013, EURm**	**Year-on-year change, %**
Europe[1]	3 886	3 940	(1)
Middle East & Africa	1 100	1 169	(6)
Greater China	1 410	1 201	17
Asia-Pacific	3 364	3 428	(2)
North America	1 919	1 656	16
Latin America	1 053	1 315	(20)
Total	**12 732**	**12 709**	**0**

[1] All Nokia Technologies net sales are allocated to Finland.

Refer to "—*Results of Operations–Businesses*" for the main changes in the regional net sales.

Gross Margin

Gross margin for continuing operations in 2014 was 44.3% compared to 42.1% in 2013. The increase in continuing operations gross margin was primarily attributable to the increase in gross margin in Nokia Networks. The increase was partially offset by a decrease in gross margin in HERE.

The increase in gross margin in Nokia Networks was primarily attributable to a higher proportion of Mobile Broadband in the overall sales mix and an increase in gross margin in Global Services was partially offset by a slight decrease in gross margin in Mobile Broadband. The decrease in gross margin in HERE was primarily due to certain ongoing expenses that had been previously borne by Nokia's former Devices & Services Business.

Operating Expenses

Nokia's R&D expenses for continuing operations in 2014 were EUR 2 493 million, a decrease of EUR 126 million, or 5%, compared to EUR 2 619 million in 2013. R&D expenses represented 19.6% of Nokia's net sales in 2014 compared to 20.6% in 2013. The decrease in R&D expenses was primarily attributable to the decrease in R&D expenses in HERE and Nokia Networks, partially offset by higher R&D expenses in Nokia Technologies.

The decrease in R&D expenses in HERE was primarily attributable to significant purchase price accounting related items of EUR 168 million in 2013 arising from the purchase of NAVTEQ, the majority of which were fully amortized in 2013. The decrease in R&D expenses in Nokia Networks was primarily attributable to lower subcontracting costs, partially offset by higher investments in targeted growth areas, most notably LTE, small cells and Telco Cloud. The increase in R&D expenses in Nokia Technologies was primarily attributable to investments in business activities, such as the Technology and Brand licensing opportunities, which target new and significant long-term growth opportunities.

R&D expenses included purchase price accounting related items of EUR 36 million in 2014, compared to EUR 188 million in 2013. In 2014, R&D expenses included EUR 23 million of transaction related personnel costs related to the Sale of the Devices & Services Business, compared to EUR 15 million in 2013.

Nokia's selling, general and administrative expenses for continuing operations in 2014 were EUR 1 634 million, a decrease of EUR 37 million, or 2%, compared to EUR 1 671 million in 2013. Selling, general and administrative expenses represented 12.8% of Nokia's net sales in 2014, compared to 13.1% in 2013. The decrease in selling, general and administrative expenses was primarily attributable to the decrease in selling, general and administrative expenses in Nokia Networks. The decrease was partially offset by an increase in selling, general and administrative expenses in Group Common Functions and Nokia Technologies.

The decrease in selling, general and administrative expenses in Nokia Networks was primarily attributable to structural cost savings from Nokia Networks' global restructuring program. The increase in selling, general and administrative expenses in Group Common Functions was primarily attributable to transaction related costs resulting from the Sale of the Devices & Services Business. The increase in selling, general and administrative expenses in Nokia Technologies was primarily attributable to increased activities related to anticipated and ongoing patent licensing cases.

Selling, general and administrative expenses included purchase price accounting items of EUR 40 million in 2014, compared to EUR 93 million in 2013. In 2014, selling, general and administrative expenses included EUR 31 million of transaction related costs related to the Sale of the Devices & Services Business.

A goodwill impairment charge of EUR 1 209 million was recorded in the third quarter 2014.

Other income and expenses for continuing operations in 2014 was a net expense of EUR 132 million, a decrease of EUR 404 million, or 75%, compared to a net expense of EUR 536 million in 2013. The decrease in other income and expenses was primarily attributable to lower restructuring and associated charges at Nokia Networks, partially offset by lower other income in Group Common Functions. In 2014, other income and expenses included restructuring and associated charges of EUR 57 million at Nokia Networks, charges related to the HERE cost reduction program of EUR 36 million and anticipated contractual remediation costs of EUR 31 million at Nokia Networks. In 2013, other income and expenses included restructuring and associated charges of EUR 602 million, and transaction related costs of EUR 18 million related to the Sale of the Devices & Services Business.

Operating Profit or Loss

Nokia's operating profit for continuing operations in 2014 was EUR 170 million, a decrease of EUR 349 million, or 67%, compared to an operating profit of EUR 519 million in 2013. The decrease in operating profit was primarily attributable to the goodwill impairment charge relating to HERE and the higher expenses in Group Common Functions. The decrease was partially offset by an increase in operating profit in Nokia Networks and Nokia Technologies. Nokia's operating profit in 2014 included a EUR 1 209 million goodwill impairment charge relating to HERE. In addition, it included purchase price accounting items, restructuring charges and other special items of EUR 253 million, compared to EUR 917 million in 2013. Nokia's operating margin in 2014 was 1.3%, compared to 4.1% in 2013.

Net Financial Income and Expenses

Financial income and expenses for continuing operations was a net expense of EUR 395 million in 2014, compared to a net expense of EUR 280 million in 2013, an increase of EUR 115 million, or 41%. The higher net financial expense in 2014 was primarily attributable to EUR 123 million of one-time expense related to the redemption of materially all of Nokia Networks' borrowings, and a non-cash charge of EUR 57 million related to the repayment of EUR 1.5 billion convertible bonds issued to Microsoft in the second quarter 2014. These charges were partially offset by reduced interest expenses during the second half of the year and lower net losses related to foreign exchange. Refer to "*—Liquidity and Capital Resources*".

Profit or Loss before Taxes

Continuing operations loss before tax in 2014 was a loss of EUR 237 million, a decrease of EUR 480 million, compared to a profit before tax of EUR 243 million in 2013.

Income Tax

Income taxes for continuing operations amounted to a net benefit of EUR 1 408 million in 2014, a change of EUR 1 610 million, compared to a net expense of EUR 202 million in 2013. The net income tax benefit was primarily attributable to the recognition of EUR 2 126 million of deferred tax assets from the reassessment of recoverability of tax assets in Finland and Germany in 2014. This resulted in a EUR 2 034 million non-cash tax benefit in the third quarter 2014. Based on recent profitability and forecasts at that time, Nokia was able to re-establish a pattern of sufficient profitability in Finland and Germany to utilize the cumulative losses, foreign tax credits and other temporary differences. A significant portion of Nokia's Finnish and German deferred tax assets are indefinite in nature and available against future Finnish and German tax liabilities. The EUR 2 034 million non-cash tax benefit was partially offset by the recognition of a net expense of EUR 341 million in valuation allowances related to HERE's Dutch deferred tax assets in 2014.

Nokia's current tax for continuing operations was an income tax expense of EUR 374 million for the year ended December 31, 2014, compared to EUR 354 million for the year ended December 31, 2013.

Non-controlling Interests

Profit for continuing operations attributable to non-controlling interests in 2014 was EUR 8 million, an increase of EUR 153 million, compared to a loss attributable to non-controlling interests of EUR 145 million for 2013. The change was primarily attributable to Nokia's acquisition of Siemens' stake in Nokia Networks (formerly Nokia Siemens Networks) in August 2013, which significantly reduced the non-controlling interests in that business.

Profit or Loss attributable to Equity Holders of the Parent and Earnings per Share

Nokia Group's total profit attributable to equity holders of the parent in 2014 was EUR 3 462 million, an increase of EUR 4 077 million, compared to a loss of EUR 615 million in 2013. This included a gain of EUR 3 175 million from the Sale of the Devices & Services Business. Continuing operations generated a profit attributable to equity holders of the parent in 2014, amounting to EUR 1 163 million, compared to a profit of EUR 186 million in 2013. Nokia Group's total basic earnings per share in 2014 increased to EUR 0.94 (basic) and EUR 0.85 (diluted), compared to EUR (0.17) (basic) and EUR (0.17) (diluted) in 2013. From continuing operations, earnings per share in 2014 increased to EUR 0.31 (basic) and EUR 0.30 (diluted), compared to EUR 0.05 (basic) and EUR 0.05 (diluted) in 2013.

Continuing Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net Sales

Continuing operations' net sales declined by 17% to EUR 12 709 million in 2013, compared with EUR 15 400 million in 2012. The decline in continuing operations' net sales in 2013 was primarily due to lower Nokia Networks' and HERE's net sales. The decline in Nokia Networks' net sales was partially due to divestments of businesses not consistent with its strategic focus, as well as the exiting of certain customer contracts and countries. Excluding these two factors, Nokia Networks' net sales in 2013 declined by approximately 13% primarily due to reduced wireless infrastructure deployment activity, which affected both Global Services and Mobile Broadband. The decline in HERE net sales was primarily due to a decline in internal HERE net sales due to lower recognition of deferred revenue related to Nokia's smartphone sales, partially offset by an increase in external HERE net sales due to higher sales to vehicle customers. Additionally, Nokia Networks' and HERE net sales were adversely affected by foreign currency fluctuations.

The following table sets forth the distribution by geographical area of Nokia's net sales for the fiscal years 2013 and 2012.

For the year ended December 31	2013, EURm	2012, EURm	Year-on-year change, %
Europe[1]	3 940	4 892	(19)
Middle East & Africa	1 169	1 362	(14)
Greater China	1 201	1 341	(10)
Asia-Pacific	3 428	4 429	(23)
North America	1 656	1 628	2
Latin America	1 315	1 748	(25)
Total	**12 709**	**15 400**	**(17)**

[1] All Nokia Technologies net sales are allocated to Finland.

Gross Margin

Gross margin for continuing operations in 2013 was 42.1%, compared to 36.1% in 2012. The increase in 2013 was primarily due to a higher Nokia Networks' gross margin. Nokia Networks' gross margin increased primarily due to improved efficiency in Global Services, an improved product mix with a greater share of higher margin products, and the divestment of less profitable businesses.

Operating Expenses

Nokia's R&D expenses were EUR 2 619 million in 2013, compared to EUR 3 081 million in 2012. R&D expenses represented 20.6% of the Company's net sales in 2013, compared to 20.0% in 2012. R&D expenses included purchase price accounting items of EUR 188 million in 2013, compared to EUR 375 million in 2012. The decrease was primarily due to lower amortization of acquired intangible assets within HERE. In addition, it included EUR 15 million of transaction related costs, related to the Sale of the Devices & Services Business.

In 2013, Nokia's selling and marketing expenses were EUR 974 million, compared to EUR 1 372 million in 2012. Selling and marketing expenses represented 7.7% of Nokia's net sales in 2013, compared to 8.9% in 2012. The decrease in selling and marketing expenses was due to lower purchase price accounting items and generally lower expenses in Nokia Networks and HERE. Selling and marketing expenses included purchase price accounting items of EUR 93 million in 2013, compared to EUR 313 million in 2012. The decrease was primarily due to items arising from the formation of Nokia Networks becoming fully amortized at the end of the first quarter of 2013.

Administrative and general expenses were EUR 697 million in 2013, compared to EUR 690 million in 2012. Administrative and general expenses were equal to 5.5% of Nokia's net sales in 2013, compared to 4.5% in 2012. The increase in administrative and general expenses as a percentage of net sales reflected a decline in net sales in 2013. Administrative and general expenses did not include purchase price accounting items in either 2013 or 2012.

Other income and expenses was a net expense of EUR 536 million in 2013, compared to a net expense of EUR 1 237 million in 2012. In 2013, other income and expenses included restructuring charges of EUR 602 million, as well as transaction related costs of EUR 18 million related to the Sale of the Devices & Services Business. In 2012, other income and expenses included restructuring charges of EUR 1 265 million, including EUR 42 million related to country and contract exits, impairments of assets of EUR 2 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from Motorola as well as amortization of acquired intangible assets of EUR 23 million and a net gain on sale of real estate of EUR 79 million.

Operating Profit or Loss

Nokia's 2013 operating profit was EUR 519 million, compared with an operating loss of EUR 821 million in 2012. The increased operating profit resulted primarily from lower restructuring charges and purchase price accounting items in general and an increase in the operating performance of the Company's Nokia Networks and HERE businesses. Nokia's operating profit in 2013 included purchase price accounting items, restructuring charges and other special items of net negative EUR 917 million, compared to net negative EUR 1 963 million in 2012. Nokia's 2013 operating margin was positive 4.1% compared to negative 5.3% in 2012. The improvement was primarily due to an increase in Nokia's gross margin and lower expenses in other income and expenses.

Net Financial Income and Expenses

Financial income and expenses, net, was an expense of EUR 280 million in 2013, compared to an expense of EUR 357 million in 2012. The lower net expense in 2013 was primarily driven by lower foreign exchange losses. Refer to "*—Liquidity and Capital Resources*".

Profit/Loss before Taxes

Continuing operations' profit before tax was EUR 243 million in 2013, compared to a loss of EUR 1 179 million in 2012. Taxes amounted to EUR 202 million in 2013 and EUR 304 million in 2012.

Non-controlling Interests

Loss attributable to non-controlling interests from continuing operations totaled EUR 145 million in 2013, compared with a loss attributable to non-controlling interests of EUR 712 million in 2012. This change was primarily due to an improvement in Nokia Networks' results and Nokia's acquisition of Siemens' stake in Nokia Networks.

Profit/Loss attributable to Equity Holders of the Parent and Earnings per Share

Nokia Group's total loss attributable to equity holders of the parent in 2013 amounted to EUR 615 million, compared with a loss of EUR 3 105 million in 2012. Continuing operations generated a profit attributable to equity holders of the parent in 2013, amounting to EUR 186 million, compared with a loss of EUR 771 million in 2012. Nokia Group's total earnings per share in 2013 increased to EUR (0.17) (basic) and EUR (0.17) (diluted), compared with EUR (0.84) (basic) and EUR (0.84) (diluted) in 2012. From continuing operations, earnings per share in 2013 increased to EUR 0.05 (basic) and EUR 0.05 (diluted), compared with EUR (0.21) (basic) and EUR (0.21) (diluted) in 2012.

Discontinued Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

As the Sale of the Devices & Services Business closed on April 25, 2014, the financial results of the discontinued operations in 2014 are not comparable to the financial results of the discontinued operations in 2013.

Net Sales

Discontinued operations net sales for the period ended April 25, 2014 were EUR 2 458 million, a decrease of EUR 8 277 million, or 77%, compared to EUR 10 735 million in 2013.

Gross Margin

Discontinued operations gross margin decreased to 15.1% for the period ended April 25, 2014 compared to a gross margin of 20.6% in 2013. The decrease in gross margin was primarily attributable to a decrease in gross margin in both Smart Devices and Mobile Phones.

Operating Expenses

Discontinued operations operating expenses were EUR 908 million for the period ended April 25, 2014, a decrease of EUR 1 891 million, or 68%, compared to EUR 2 799 million in 2013.

Operating Profit or Loss

Discontinued operations operating profit for the period ended April 25, 2014 was EUR 2 639 million, an increase of EUR 3 229 million, compared to an operating loss of EUR 590 million in 2013. The increase in discontinued operations operating profit in 2014 was primarily attributable to the gain of EUR 3 175 million from the Sale of the Devices & Services Business.

Profit or Loss for the Period

Discontinued operations profit for the period ended April 25, 2014 was EUR 2 305 million, an increase of EUR 3 085 million compared to a loss of EUR 780 million in 2013.

The increase in discontinued operations profit for the period ended April 25, 2014 was primarily attributable to the gain of EUR 3 175 million from the Sale of the Devices & Services Business. The increase was partially offset by a tax expense of EUR 127 million primarily due to non-resident capital gains taxes in certain jurisdictions, as well as tax impacts of legal entity restructuring carried out in connection with the Sale of the Devices & Services Business.

Discontinued Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net Sales

Discontinued operations net sales decreased by 29% to EUR 10 735 million, compared to EUR 15 152 million in 2012. The decline in discontinued operations net sales in 2013 was primarily due to lower Mobile Phones net sales and, to a lesser extent, lower Smart Devices net sales. The decline in Mobile Phones net sales was due to lower volumes and average selling prices, affected by competitive industry dynamics, including intense smartphone competition at increasingly lower price points and intense competition at the low end of Nokia's product portfolio. The decline in Smart Devices net sales was primarily due to lower volumes, affected by competitive industry dynamics, including the strong momentum of competing smartphone platforms, as well as Nokia's portfolio transition from Symbian products to Lumia products.

The following table sets forth the distribution by geographical area of Nokia's net sales for the fiscal years 2013 and 2012.

For the year ended December 31	**2013, EURm**	**2012, EURm**	**Year-on-year change, %**
Europe	3 266	4 498	(27)
Middle East & Africa	1 689	2 712	(38)
Greater China	816	1 519	(46)
Asia-Pacific	2 691	3 655	(26)
North America	623	532	17
Latin America	1 650	2 236	(26)
Total	**10 735**	**15 152**	**(29)**

Gross Margin

Discontinued operations gross margin improved to 20.6% in 2013, compared to 18.7% in 2012. The increase in gross margin in 2013 was primarily due to a higher Smart Devices gross margin, partially offset by slightly lower Mobile Phones gross margin. The increase in Smart Devices gross margin was primarily due to lower inventory related allowances, which adversely affected Smart Devices gross margin in 2012.

Operating Expenses

Discontinued operations operating expenses were EUR 2 799 million in 2013, compared to EUR 4 311 million in 2012. The 35% decrease in 2013 was due to lower Mobile Phones and Smart Devices operating expenses, primarily due to structural cost savings, as well as overall cost controls.

Operating Profit or Loss

Discontinued operations operating margin improved to negative 5.5% in 2013, compared to negative 9.8% in 2012. The improvement was primarily due to structural cost savings, as well as overall cost controls, and a higher gross margin.

Results of Operations – Businesses

Nokia Networks' Results of Operations for the Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

Net Sales

Nokia Networks' net sales for the six months ended June 30, 2015 were EUR 5 403 million, an increase of EUR 509 million, or 10%, compared to EUR 4 894 million for the six months ended June 30, 2014. The increase in Nokia Networks' net sales was primarily attributable to an increase in net sales in Global Services and, to a lesser extent, in Mobile Broadband.

In the first six months of 2015, Mobile Broadband represented 51% of Nokia Networks' net sales, compared to 53% in the first six months of 2014. In the first six months of 2015, Global Services represented 49% of Nokia Networks' net sales, compared to 46% in the first six months 2014.

Mobile Broadband

Mobile Broadband net sales increased to EUR 2 772 million for the six months ended June 30, 2015, or 6%, compared to EUR 2 607 million for the six months ended June 30, 2014. The increase was primarily attributable to growth in overall radio technologies, with particular strength in LTE. This was partially offset by a year-on-year decline in core networking technologies.

Global Services

Global Services net sales increased to EUR 2 628 million for the six months ended June 30, 2015, or 16%, compared to EUR 2 258 million for the six months ended June 30, 2014. The increase was primarily attributable to particularly strong growth in the network implementation business line and, to a lesser extent, growth in care and network planning and optimization business lines.

Gross Margin

Nokia Networks' gross margin for the six months ended June 30, 2015 was 37.5%, compared to 38.8% for the six months ended June 30, 2014. The decrease in Nokia Networks' gross margin was primarily attributable to a lower gross margin in Global Services, as well as a negative mix shift due to a higher proportion of Global Services net sales and a lower proportion of Mobile Broadband net sales.

The year-on-year decline in gross margin within Global Services was primarily due to lower gross margin in the systems integration and network implementation business lines, as well as a negative mix shift due to a higher proportion of network implementation and network planning and optimization net sales and a lower proportion of care net sales.

Within Mobile Broadband, the gross margin in the first six months of 2015 was approximately flat on a year-on-year basis. The approximately flat gross margin within Mobile Broadband was primarily due to a lower proportion of higher gross margin core networking technologies net sales in the sales mix, as well as a lower gross margin in core networking technologies, partially offset by a higher gross margin within overall radio technologies.

In addition, Nokia Networks' gross margin was negatively impacted by higher costs related to the short-term impact of strategic entry deals, and challenging market conditions. The proportion of high margin software sales in the Nokia Networks' sales mix was approximately flat compared to the first six months of 2014.

Operating Expenses

Nokia Networks' R&D expenses were EUR 977 million for the six months ended June 30, 2015, an increase of EUR 131 million, or 15%, compared to EUR 846 million for the six months ended June 30, 2014. The increase was primarily attributable to increased investments in LTE, small cells, cloud core and 5G.

Nokia Networks' selling, general and administrative expenses were EUR 652 million for the six months ended June 30, 2015, an increase of EUR 71 million, or 12%, compared to EUR 581 million for the six months ended June 30, 2014. The increase was primarily attributable to higher personnel expenses. The year-on-year increases in both research and development and selling, general and administrative expenses in the first six months of 2015 were partially offset by continued operational improvement.

Nokia Networks' other income and expenses decreased for the six months ended June 30, 2015 to an expense of EUR 4 million from an expense of EUR 60 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, other income and expenses did not include restructuring and associated charges, whereas for the six months ended June 30, 2014, other income and expenses included restructuring and associated charges of EUR 49 million.

Operating Profit or Loss

Nokia Networks' operating profit for the six months ended June 30, 2015 was EUR 395 million, a decrease of EUR 17 million, compared to an operating profit of EUR 412 million for the six months ended June 30, 2014. Nokia Networks' operating margin for the six months ended June 30, 2015 was 7.3%, compared to 8.4% for the six months ended June 30, 2014. The decrease in operating profit was primarily attributable to Mobile Broadband.

During the first six months of 2015, Nokia Networks recorded amounts in order to correct items previously reported in 2014 and 2013 as cost of sales and reductions to accounts receivable. The impact of this correction was to reduce cost of sales in the current period by EUR 37 million, of which EUR 7 million related to 2014 and EUR 30 million to 2013. The error related to businesses divested in 2013 where Nokia Networks continued to operate certain accounting functions under a transitional arrangement and erroneously recorded pass through costs of the disposed businesses as costs of Nokia Networks.

On a year-on-year basis, foreign exchange fluctuations had a significantly positive impact on gross profit, and a significantly negative impact on operating expenses, resulting in a slightly positive net impact on operating profit in the first six months of 2015.

Mobile Broadband

Mobile Broadband operating profit decreased from EUR 208 million for the six months ended June 30, 2014 to EUR 119 million for the six months ended June 30, 2015. The decrease in operating profit was attributable to higher operating expenses, partially offset by higher gross profit.

Global Services

Global Services operating profit of EUR 280 million for the six months ended June 30, 2014 remained in EUR 280 million for the six months ended June 30, 2015. This was primarily attributable to higher operating expenses, offset by higher gross profit.

Nokia Networks' Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Net Sales

Nokia Networks' net sales in 2014 were EUR 11 198 million, a decrease of EUR 84 million, or 1%, compared to EUR 11 282 million in 2013. The decrease in Nokia Networks' net sales was primarily attributable to a decrease in Global Services net sales, and the absence of sales from businesses that were divested and certain customer contracts and countries that were exited in 2013. The decrease was partly offset by an increase in Mobile Broadband net sales.

Mobile Broadband

Mobile Broadband net sales increased to EUR 6 039 million in 2014, or 13%, compared to EUR 5 347 million in 2013. The increase was primarily attributable to an increase in net sales in radio and core networking technologies. The increase in radio technologies net sales was primarily attributable to growth in LTE. The increase was partially offset by a decrease in net sales in mature radio technologies.

Global Services

Global Services net sales decreased to EUR 5 105 million in 2014, or 11%, compared to EUR 5 753 million in 2013. The decrease was primarily attributable to decreases in net sales in network implementation, managed services including the exiting of certain customer contracts and countries, as well as a decrease in the care business line. The decrease was partially offset by an increase in net sales in the systems integration business line.

The following table sets forth the distribution by geographical area of Nokia's net sales for the years indicated.

For the year ended December 31	2014, EURm	2013, EURm	Year-on-year change, %
Europe	2 929	3 041	(4)
Middle East & Africa	1 053	1 111	(5)
Greater China	1 380	1 185	16
Asia-Pacific	3 289	3 354	(2)
North America	1 538	1 334	15
Latin America	1 009	1 257	(20)
Total	**11 198**	**11 282**	**(1)**

Nokia Networks' net sales in Latin America decreased 20% in 2014, compared to 2013 primarily due to the exiting of certain customer contracts and lower network deployments in Brazil, Chile and Mexico. In Europe, net sales decreased 4% primarily due to lower network deployments in Western Europe, partially offset by higher network deployments in Eastern Europe. In Asia-Pacific, net sales decreased 2% primarily due to lower network deployments in Japan, partially offset by higher network deployments in India and Korea. In the Middle East and Africa, net sales decreased 5% primarily due to lower network deployments. In Greater China, net sales increased 16% primarily due to higher LTE network deployments. In North America, net sales increased 15% primarily due to LTE network deployments at major customers.

Gross Margin

Nokia Networks' gross margin in 2014 was 38.7%, compared to 36.6% in 2013. The increase in Nokia Networks' gross margin was primarily attributable to a higher proportion of Mobile Broadband in the overall sales mix and an increase in the gross margin of Global Services, partly offset by a slight decrease in the gross margin of Mobile Broadband.

The decrease in the gross margin of Mobile Broadband was primarily attributable to a lower gross margin in mature radio technologies. The decrease was partially offset by a higher gross margin in LTE and core networking technologies. In addition, Mobile Broadband gross margin in 2014 benefitted from lower costs incurred in anticipation of a technology shift to TD-LTE, which adversely affected the gross margin of Mobile Broadband in 2013.

The increase in the gross margin of Global Services was primarily attributable to a more favorable sales mix including a lower proportion of managed services and a higher proportion of systems integration in the sales mix, as well as margin improvement in systems integration. The increase was partially offset by lower gross margin in care, network implementation and network planning and optimization.

Operating Expenses

Nokia Networks' R&D expenses were EUR 1 786 million in 2014, a decrease of EUR 36 million, or 2%, compared to EUR 1 822 million in 2013. The decrease was primarily attributable to lower subcontracting costs. The decrease was partially offset by headcount increases mainly related to increased in-house activities. Nokia Networks continues to invest in targeted growth areas, most notably LTE, small cells and Telco Cloud, while reducing investments in mature technologies.

Nokia Networks' selling, general and administrative expenses were EUR 1 236 million in 2014, a decrease of EUR 74 million, or 6%, compared to EUR 1 310 million in 2013. The decrease was primarily attributable to structural cost savings from Nokia Networks' global restructuring program. The decrease was partially offset by headcount increases related to an increased focus on growth.

Nokia Networks' other income and expenses decreased in 2014 to an expense of EUR 104 million from an expense of EUR 582 million in 2013. In 2014, other income and expenses included restructuring and associated charges of EUR 57 million and anticipated contractual remediation costs of EUR 31 million. In 2013, other income and expenses included restructuring and associated charges of EUR 570 million.

Operating Profit or Loss

Nokia Networks' operating profit was EUR 1 210 million in 2014, an increase of EUR 790 million, compared to an operating profit of EUR 420 million in 2013. Nokia Networks' operating margin in 2014 was 10.8%, compared to 3.7% in 2013. The increase in operating profit was primarily attributable to an increase in operating profit in Mobile Broadband. The increase was partially offset by a decrease in operating profit in Global Services.

Mobile Broadband operating profit increased from EUR 420 million in 2013 to EUR 683 million in 2014. The increase in operating profit was attributable to higher gross profit.

Global Services operating profit decreased from EUR 693 million in 2013 to EUR 653 million in 2014. The decrease in operating profit was primarily attributable to lower gross profit. The decrease was partially offset by lower operating expenses.

Nokia Networks' Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net Sales

Nokia Networks' net sales decreased 18% to EUR 11 282 million in 2013, compared to EUR 13 779 million in 2012. The year-on-year decline in Nokia Networks' net sales was primarily due to reduced wireless infrastructure deployment activity affecting both Mobile Broadband and Global Services, as well as the divestments of businesses not consistent with its strategic focus, foreign currency fluctuations and the exiting of certain customer contracts and countries.

Mobile Broadband

Mobile Broadband net sales declined 12% to EUR 5 347 million in 2013, compared to EUR 6 043 million in 2012, as declines in WCDMA, CDMA and GSM were partially offset by growth in both FD-LTE and TD-LTE, reflecting the industry shift to 4G technology. Core network sales declined as a result of the customer focus on radio technologies.

Global Services

Global Services net sales declined 17% to EUR 5 753 million in 2013, compared to EUR 6 929 million in 2012 primarily due to the exiting of certain customer contracts and countries as part of Nokia Networks' strategy to focus on more profitable business as well as a decline in network roll-outs in Japan and Europe.

The following table sets forth the distribution by geographical area of net sales for the years indicated.

For the year ended December 31	**2013, EURm**	**2012, EURm**	**Year-on-year change, %**
Europe	3 041	3 896	(22)
Middle East & Africa	1 111	1 287	(14)
Greater China	1 185	1 278	(7)
Asia-Pacific	3 354	4 347	(23)
North America	1 334	1 294	3
Latin America	1 257	1 677	(25)
Total	**11 282**	**13 779**	**(18)**

Gross Margin

Nokia Networks' gross margin was 36.6% in 2013, compared to 30.3% in 2012, driven by improved efficiency in Global Services, an improved product mix with a greater share of higher margin products, and the divestment of less profitable businesses. In Mobile Broadband, gross margin improved in 2013 driven by an increased software share in the product mix, offset by costs incurred in anticipation of a technology shift to TD-LTE. In Global Services, gross margin improved significantly in 2013 due to the increase in efficiencies as part of Nokia's restructuring program and the exit of certain customer contracts and countries as part of Nokia Networks' strategy to focus on more profitable business.

Operating Expenses

Nokia Networks' R&D expenses decreased 11% year-on-year in 2013 to EUR 1 822 million from EUR 2 046 million in 2012, primarily due to business divestments and reduced investment in business activities not in line with Nokia Networks' focused strategy as well as increased R&D efficiency, partially offset by higher investments in business activities that are in line with Nokia Networks' focused strategy, most notably LTE.

Nokia Networks' sales and marketing expenses decreased 29% year-on-year in 2013 to EUR 821 million from EUR 1 158 million in 2012, primarily due to structural cost savings from Nokia Networks' restructuring program and a decrease in purchase price accounting related items arising from the formation of Nokia Networks, which were fully amortized at the end of the first quarter of 2013.

Nokia Networks' administrative and general expenses increased 4% year-on-year in 2013 to EUR 489 million from EUR 470 million in 2012, primarily due to consultancy fees related to finance and information technology related projects, partially offset by structural cost savings.

Nokia Networks' other income and expenses decreased in 2013 to an expense of EUR 582 million from an expense of EUR 1 290 million in 2012. In 2013, other income and expenses included restructuring charges of EUR 570 million, including EUR 52 million related to country and contract exits and EUR 157 million related to divestments of businesses, and in 2012 included restructuring charges and associated charges of EUR 1 226 million, including EUR 42 million related to country and contract exits, divestment of businesses EUR 50 million, impairment of assets of

EUR 2 million, a negative adjustment of EUR 4 million to purchase price allocations related to the final payment from Motorola, as well as amortization of acquired intangible assets of EUR 23 million.

Operating Profit or Loss

Nokia Networks' operating profit in 2013 was EUR 420 million, compared with an operating loss of EUR 795 million in 2012. Nokia Networks' operating margin in 2013 was 3.7%, compared with a negative 5.8% in 2012. The increase in operating profit was primarily a result of an increase in the contribution of Global Services and a reduction in costs associated with Nokia Networks' transformation, consisting mainly of restructuring charges. Further, the purchase price accounting related items arising from the formation of Nokia Networks were fully amortized at the end of the first quarter of 2013.

The contribution of Mobile Broadband declined from EUR 490 million in 2012 to EUR 420 million in 2013, primarily as a result of lower net sales, which was partially offset by an improved gross margin and a reduction in operating expenses.

The contribution of Global Services increased from EUR 334 million in 2012 to EUR 693 million in 2013, as the increase in gross margin more than compensated for the decline in net sales, and the contribution in 2013 was further supported by a reduction in operating expenses.

HERE Results of Operations for the Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

Net Sales

HERE net sales for the six months ended June 30, 2015 were EUR 551 million, an increase of EUR 110 million, or 25%, compared to EUR 441 million for the six months ended June 30, 2014. The increase in HERE net sales was primarily attributable to higher sales to automotive customers, as well as Microsoft becoming a more significant licensee of HERE's services and, to a lesser extent, higher sales to enterprise. This was partially offset by lower recognition of revenue related to smartphone sales by the former Devices & Services Business. In addition, compared to the first six months of 2014, HERE's year-on-year net sales were negatively affected by the absence of a benefit related to the conversion of a contract to a perpetual license.

For the six months ended June 30, 2015, HERE had sales of new vehicle licenses of 7.7 million units, compared to 6.1 million units for the six months ended June 30, 2014, primarily attributable to higher consumer uptake of in-vehicle navigation and higher vehicle sales.

In the first six months of 2015, HERE had sales of new vehicle licenses of 7.7 million units, compared to 6.1 million units in the first six months of 2014. On a year-on-year basis, unit sales to automotive customers increased primarily due to higher consumer uptake of in-vehicle navigation and higher vehicle sales.

Gross Margin

HERE gross margin for the six months ended June 30, 2015 was 74.2%, compared to 75.5% for the six months ended June 30, 2014.

Operating Expenses

HERE R&D expenses were EUR 269 million for the six months ended June 30, 2015, an increase of EUR 14 million, or 5%, compared to EUR 255 million for the six months ended June 30, 2014. The increase was primarily attributable to higher investments in targeted growth areas, including higher research and development expenses related to the acquisition of Medio, which was completed on July 2, 2014. This was partially offset by cost savings related to the curtailing of investments in certain higher risk longer-term growth opportunities.

HERE selling, general and administrative expenses were EUR 99 million for the six months ended June 30, 2015, an increase of EUR 14 million, or 16%, compared to EUR 85 million for the six months ended June 30, 2014. The increase was primarily attributable to higher business support costs and incentive accruals, as well as an increase in certain external consultancy fees.

HERE other income and expenses increased for the six months ended June 30, 2015 to an expense of EUR 13 million from an expense of EUR 5 million for the six months ended June 30, 2014. In the first six months of 2015, charges related to cost reduction programs amounted to EUR 12 million, compared to EUR 4 million of restructuring charges in the first six months of 2014.

Operating Profit or Loss

HERE operating profit for the six months ended June 30, 2015 was EUR 28 million, an increase of EUR 40 million, compared to an operating loss of EUR 12 million for the six months ended June 30, 2014. For the six months ended June 30, 2015, HERE achieved a positive operating margin of 5.1%, compared to the negative operating margin of 2.7% for the six months ended June 30, 2014. The increase in operating profit was primarily attributable to higher gross profit, partially offset by higher operating expenses.

On a year-on-year basis, foreign exchange fluctuations had a positive impact on gross profit, and a negative impact on operating expenses, resulting in a positive net impact on operating profit in the first six months of 2015.

HERE Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Net Sales

HERE net sales in 2014 increased EUR 56 million, or 6%, to EUR 970 million, compared to EUR 914 million in 2013. The increase in HERE net sales was primarily attributable to higher net sales to vehicle customers and Microsoft becoming a more significant licensee of HERE's services. The increase was partially offset by lower recognition of revenue to smartphone net sales by Nokia's former Devices & Services Business and lower net sales to personal navigation device customers, which was consistent with declines in the personal navigation device market.

In 2014, HERE had sales of new vehicle licenses of 13.1 million units, compared to 10.7 million units in 2013, primarily attributable to higher consumer uptake of in-vehicle navigation and higher vehicle sales.

The following table sets forth the distribution by geographical area of net sales for the years indicated.

For the year ended December 31	**2014, EURm**	**2013, EURm**	**Year-on-year change, %**
Europe	394	384	3
Middle East & Africa	47	57	(18)
Greater China	29	17	71
Asia-Pacific	75	75	0
North America	382	322	19
Latin America	43	59	(27)
Total	**970**	**914**	**6**

Gross Margin

HERE gross margin in 2014 was 75.4%, compared to 77.2% in 2013. The decrease in HERE gross margin was primarily attributable to certain ongoing expenses that are now recorded as HERE cost of sales, which were previously recorded as cost of sales by Nokia's former Devices & Services Business.

Operating Expenses

HERE R&D expenses in 2014 were EUR 545 million, a decrease of EUR 103 million, or 16%, compared to EUR 648 million in 2013. The decrease was primarily attributable to significant purchase price accounting related items of EUR 168 million in 2013 arising from the purchase of NAVTEQ, the majority of which were fully amortized in 2013. The decrease was partially offset by higher investments in targeted growth areas.

HERE selling, general and administrative expenses were EUR 181 million in 2014, a decrease of EUR 7 million, or 4%, compared to EUR 188 million in 2013. The decrease was primarily attributable to purchase price accounting related items in 2013 arising from the purchase of NAVTEQ, the majority of which were fully amortized in 2013.

A goodwill impairment charge of EUR 1 209 million was recorded in the third quarter 2014. The impairment charge was the result of an evaluation of the projected financial performance and net cash flows resulting in reduced net sales projections. The evaluation incorporated the slower than expected increase in net sales directly to consumers, and Nokia's plans to curtail the Company's investment in certain higher-risk and longer-term growth opportunities. It also reflected the current assessment of risks related to the growth opportunities that Nokia plans to continue pursuing.

HERE other income and expenses increased in 2014 to a net expense of EUR 37 million from a net expense of EUR 24 million in 2013. The increase was primarily attributable to higher charges related to the cost reduction program.

Operating Profit or Loss

HERE operating loss was EUR 1 241 million in 2014, an increase of EUR 1 087 million, compared to an operating loss of EUR 154 million in 2013. HERE operating margin in 2014 was negative 127.9%, compared to negative 16.8% in 2013. The increase in operating loss was primarily attributable to EUR 1 209 million goodwill impairment charge recorded in the third quarter 2014. The charge was partially offset by the absence of significant purchase price accounting related items arising from the purchase of NAVTEQ, the majority of which were fully amortized in 2013.

Global Cost Reduction Program

In 2014, Nokia announced the sharpening of the HERE strategy and an adjustment to the related long-range plan. As part of its decision to curtail investments in certain higher risk longer term growth opportunities, HERE initiated a cost reduction program during the fourth quarter 2014. Related to this program, HERE recorded charges of approximately EUR 36 million and had related cash outflows of approximately EUR 12 million in 2014. In total, Nokia estimates the cumulative charges will amount to approximately EUR 36 million and related cash outflows will amount to approximately EUR 24 million. Changes in estimates regarding the timing or amount of costs to be incurred and associated cash flows may become necessary as the program is being completed.

HERE Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net Sales

HERE net sales decreased 17% to EUR 914 million in 2013, compared to EUR 1 103 million in 2012. HERE internal net sales decreased 59% to EUR 154 million in 2013, compared to EUR 374 million in 2012. HERE external net sales increased 4% to EUR 760 million in 2013, compared to EUR 729 million in 2012. The year-on-year decline in HERE internal net sales was due to lower recognition of deferred revenue related to Nokia's smartphone sales. The year-on-year increase in HERE external net sales in 2013 was primarily due to higher sales to vehicle customers, partially offset by lower sales to personal navigation devices customers. Additionally, HERE net sales were adversely affected by foreign currency fluctuations.

The following table sets forth HERE net sales and year-on-year growth rate by geographic area for the fiscal years 2013 and 2012.

For the year ended December 31	**2013, EURm**	**2012, EURm**	**Year-on-year change, %**
Europe	384	477	(19)
Middle East & Africa	57	74	(23)
Greater China	17	63	(73)
Asia-Pacific	75	82	(9)
North America	322	335	(4)
Latin America	59	72	(18)
Total	**914**	**1 103**	**(17)**

Gross Margin

On a year-on-year basis, the decrease in HERE gross margin, 77.2% in 2013, compared to 79.3% in 2012, was primarily due to proportionally higher sales of update units to vehicle customers, which generally carry a lower gross margin, partially offset by lower costs related to service delivery.

Operating Expenses

HERE R&D expenses decreased 27% to EUR 648 million in 2013, compared to EUR 883 million in 2012, primarily due to a decrease in purchase price accounting related items, EUR 168 million in 2013, compared to EUR 355 million in 2012, and cost reduction actions.

HERE sales and marketing expenses decreased 36% to EUR 119 million in 2013, compared to EUR 186 million in 2012, primarily driven by a decrease in purchase price accounting items, EUR 11 million in 2013, compared to EUR 68 million in 2012, cost reduction actions and lower marketing spending.

HERE administrative and general expenses decreased 10% to EUR 69 million in 2013, compared to EUR 77 million in 2012, primarily due to cost reduction actions.

In 2013, HERE other income and expense had a slightly positive year-on-year impact on profitability, decreasing from EUR 30 million in 2012 to EUR 24 million in 2013. In 2013, Nokia recognized restructuring charges of EUR 22 million in HERE, compared to EUR 31 million in 2012.

Operating Profit or Loss

HERE operating loss decreased to EUR 154 million in 2013, compared with a loss of EUR 301 million in 2012. HERE operating margin in 2013 was negative 16.8%, compared with negative 27.3% in 2012. The year-on-year improvement in operating margin in 2013 was driven primarily by the absence of significant purchase price accounting related items arising from the purchase of NAVTEQ, the vast majority of which had been fully amortized as of the end of the second quarter of 2013.

Nokia Technologies Results of Operations for the Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

Net Sales

Nokia Technologies net sales for the six months ended June 30, 2015 were EUR 459 million, an increase of EUR 181 million, or 65%, compared to EUR 278 million for the six months ended June 30, 2014. The increase was primarily due to two factors. First, approximately two-thirds of the year-on-year growth in Nokia Technologies net sales in the first six months of 2015 related to non-recurring net sales from existing and new agreements, revenue share related to previously divested intellectual property rights, and intellectual property rights divestments. Second, approximately one-third of the year-on-year growth in Nokia Technologies net sales in the first six months of 2015 related to higher intellectual property licensing income from existing and new licensees, which included Microsoft becoming a more significant intellectual property licensee in conjunction with the Sale of the Devices & Services Business.

Nokia Technologies first six months of 2015 net sales includes revenue from all licensing negotiations, litigations and arbitrations to the extent that Nokia believes is currently required, but is not a forecast of the likely future outcome of ongoing licensing projects.

Gross Margin

Nokia Technologies gross margin for the six months ended June 30, 2015 was 99.1%, compared to 98.6% for the six months ended June 30, 2014.

Operating Expenses

Nokia Technologies R&D expenses were EUR 107 million for the six months ended June 30, 2015, an increase of EUR 38 million, or 55%, compared to EUR 69 million for the six months ended June 30, 2014. In the first six months of 2015, the year-on-year increase in Nokia Technologies research and development expenses was primarily due to investments in business activities, which target new and significant long-term growth opportunities, as well as higher patent portfolio costs.

Nokia Technologies selling, general and administrative expenses were EUR 49 million for the six months ended June 30, 2015, an increase of EUR 24 million, or 104%, compared to EUR 24 million for the six months ended June 30, 2014. On a year-on-year basis, Nokia Technologies selling, general and administrative expenses increased primarily due to increased activities related to anticipated and ongoing patent licensing cases and, to a lesser extent, higher business support costs.

Nokia Technologies did not report other income and expenses for the six months ended June 30, 2015, compared to an expense of EUR 2 million for the six months ended June 30, 2014.

Operating Profit

Nokia Technologies operating profit for the six months ended June 30, 2015 was EUR 299 million, an increase of EUR 120 million, compared to an operating profit of EUR 179 million for the six months ended June 30, 2014. Nokia Technologies operating margin for the six months ended June 30, 2015 was 65.1%, compared to 64.4% for the six months ended June 30, 2014. The year-on-year increase in Nokia Technologies operating profit in the first six months of 2015 was primarily due to higher gross profit, partially offset by higher operating expenses.

On a year-on-year basis, foreign exchange fluctuations had a positive impact on gross profit, and a negative impact on operating expenses, resulting in a slightly positive net impact on operating profit in the first six months of 2015.

Nokia Technologies Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Net Sales

Nokia Technologies net sales in 2014 were EUR 578 million, an increase of EUR 49 million, or 9%, compared to EUR 529 million in 2013. The increase in Nokia Technologies net sales was primarily attributable to higher intellectual property licensing income from certain licensees, including Microsoft becoming a more significant intellectual property licensee in conjunction with the Sale of the Devices & Services Business. The increase was partially offset by decreases in licensing income from certain other licensees that experienced lower levels of business activity, as well as the lower levels of non-recurring IPR income compared to 2013.

Gross Margin

Nokia Technologies gross margin in 2014 was 98.6%, compared to 97.4% in 2013. The increase in Nokia Technologies gross margin was primarily attributable to the absence of a one-time cost related to a patent divestment transaction which negatively affected gross margin in 2013.

Operating Expenses

Nokia Technologies R&D expenses in 2014 were EUR 161 million, an increase of EUR 14 million, or 10%, compared to EUR 147 million in 2013. The increase in R&D expenses was primarily attributable to investments in business activities, such as building the Technology and Brand licensing units, which target new and significant long-term growth opportunities.

Nokia Technologies selling, general and administrative expenses in 2014 were EUR 65 million, an increase of EUR 9 million, or 16%, compared to EUR 56 million in 2013. The increase in selling, general and administrative expenses was primarily attributable to increased activities, such as building the Technology and Brand licensing units, related to anticipated and ongoing patent licensing cases, as well as higher business support costs.

Nokia Technologies other income and expense in 2014 was a net expense of EUR 1 million, a decrease of EUR 1 million, or 50%, compared to a net expense of EUR 2 million in 2013.

Operating Profit or Loss

Nokia Technologies operating profit in 2014 was EUR 343 million, an increase of EUR 33 million, or 11%, compared to an operating profit of EUR 310 million in 2013. The increase in operating profit was primarily attributable to an increase in gross profit. The increase was partially offset by higher operating expenses. Nokia Technologies operating margin in 2014 was 59.3%, compared to 58.6% in 2013.

Nokia Technologies Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Net Sales

Nokia Technologies net sales was stable on a year-on-year basis, EUR 529 million in 2013, compared to EUR 534 million in 2012, primarily due to a non-recurring license fee of EUR 50 million in the fourth quarter 2012, partially offset by net increases in royalty payments from Nokia's licensees.

Gross Margin

On a year-on-year basis, the Nokia Technologies gross margin decreased to 97.4% in 2013, compared to 98.7% in 2012.

Operating Expenses

Nokia Technologies R&D expenses decreased 4% to EUR 147 million in 2013, compared to EUR 153 million in 2012, primarily due to lower R&D costs, partially offset by transaction related costs of EUR 15 million related to the Sale of the Devices & Services Business.

Nokia Technologies sales and marketing expenses increased 42% to EUR 34 million in 2013, compared to EUR 24 million in 2012, primarily due to IPR licensing related litigation expenses. In 2013, sales and marketing expenses included transaction related costs of EUR 2 million related to the Sale of the Devices & Services Business.

Nokia Technologies administrative and general expenses were flat year-on-year, amounting to EUR 22 million.

Nokia Technologies other income and expense was approximately flat year-on-year, and included restructuring charges of EUR 2 million in 2013, compared to EUR 3 million in 2012.

Operating Profit or Loss

Nokia Technologies operating profit decreased to EUR 310 million in 2013, compared to EUR 325 million in 2012. Nokia Technologies operating margin in 2013 was 58.6%, compared with 60.9% in 2012. The year-on-year decline in operating margin was driven primarily by the transaction related costs of EUR 17 million related to the Sale of the Devices & Services Business, partially offset by decreased restructuring charges.

Group Common Functions Results of Operations for the Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

Group Common Functions operating profit for the six months ended June 30, 2015 was EUR 22 million, an increase of EUR 75 million, or 142%, compared to an operating loss of EUR 53 million for the six months ended June 30, 2014. The increase in operating profit was primarily attributable to Nokia's investments made through its venture funds. During the first six months of 2015, Nokia Growth Partners sold its holdings in Ganji.com, a major online local services marketplace platform in China, to 58.com. BlueRun Ventures also invested in Ganji.com and participated in the transaction, which valued Nokia's total indirect holdings in Ganji.com at approximately EUR 200 million. Related to the transaction, Nokia recorded a gain of approximately EUR 110 million in the first six months of 2015. The final amount and timing of additional income or expense will depend on the value and date at which the venture funds liquidate the portion of the consideration that was received in shares.

Group Common Functions Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Group Common Functions operating loss in 2014 was EUR 142 million, an increase of EUR 85 million, or 149%, compared to an operating loss of EUR 57 million in 2013. The increase in operating loss was primarily attributable to the absence of a distribution from an unlisted venture fund related to the disposal of the fund's investment in Waze Ltd of EUR 59 million that benefitted Group Common Functions in 2013. In 2014, Group Common Functions included transaction related costs of EUR 21 million related to the Sale of the Devices & Services Business. In 2013, Group Common Functions included restructuring charges and associated impairments of EUR 10 million, as well as transaction related costs of EUR 18 million related to the Sale of the Devices & Services Business.

Group Common Functions Results of Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Group Common Functions operating loss totaled EUR 57 million in 2013, compared to EUR 50 million in 2012. In 2013, Group Common Functions included restructuring charges and associated impairments of EUR 10 million, as well as transaction related costs of EUR 18 million related to the Sale of the Devices & Services Business. In 2013, the Nokia Group Common Functions benefitted from a distribution from an unlisted venture fund related to the disposal of the fund's investment in Waze Ltd of EUR 59 million. In 2012, Group Common Functions benefitted from a net gain from sale of real estate of EUR 79 million and included restructuring charges of EUR 6 million.

Liquidity and Capital Resources

Financial Position

At June 30, 2015, Nokia's total cash and other liquid assets (defined as the aggregate of cash and cash equivalents; available-for-sale investments, liquid assets; and investments at fair value through profit and loss, liquid assets) equaled EUR 6 618 million, a decrease of EUR 1 097 million, compared to EUR 7 715 million at December 31, 2014. The decrease was primarily due to the payment of dividend totaling EUR 512 million and the payment of incentives related to Nokia Networks' strong business performance in 2014. Nokia's net cash and other liquid assets was also adversely impacted by cash outflows related to other financial income and expenses of EUR 330 million primarily related to foreign exchange hedging and balance sheet related items, and cash outflows of EUR 175 million related to taxes.

At December 31, 2014, Nokia's total cash and other liquid assets (defined as the aggregate of bank and cash; available-for-sale investments, cash equivalents; available-for-sale investments, liquid assets; and investments at fair value through profit and loss, liquid assets) equaled EUR 7 715 million, a decrease of EUR 1 256 million, compared to EUR 8 971 million at December 31, 2013. The decrease was primarily attributable to cash outflows from financing activities related to the repayment of certain debt facilities totaling EUR 1 750 million in the first quarter 2014, as well as the redemption of approximately EUR 950 million of Nokia Networks' debt in the second quarter 2014. Outflows from financing activities were partly offset by the drivers listed below that increased Nokia's net cash and other liquid assets.

At December 31, 2013, Nokia's cash and other liquid assets (bank and cash; available-for-sale investments, cash equivalents; available-for-sale investments, liquid assets; and investments at fair value through profit and loss, liquid assets) decreased to EUR 8 971 million, compared with EUR 9 909 million at December 31, 2012, primarily due to the acquisition of Siemens AG's stake in NSN, cash outflows related to restructuring and taxes, as well as capital expenditures. This was partially offset by the issuance of convertible bonds to Microsoft, and positive overall net cash from operating activities.

At June 30, 2015, Nokia's net cash and other liquid assets (defined as total cash and other liquid assets less long-term interest bearing liabilities and short-term borrowings) equaled EUR 3 830 million, a decrease of EUR 1 193 million, compared to EUR 5 023 million at December 31, 2014. The decrease was primarily due to the payment of dividend totaling EUR 512 million and the payment of incentives related to Nokia Networks' strong business performance in 2014. Nokia's net cash and other liquid assets was also adversely impacted by cash outflows related to other financial income and expenses of EUR 330 million primarily related to foreign exchange hedging and balance sheet related items, and cash outflows of EUR 175 million related to taxes.

At December 31, 2014, Nokia's net cash and other liquid assets (defined as total cash and other liquid assets less long-term interest bearing liabilities and short-term borrowings) equaled EUR 5 023 million, an increase of EUR 2 714 million, compared to EUR 2 309 million at December 31, 2013. The increase was primarily attributable to cash proceeds from the Sale of the Devices & Services Business, as well as net cash flow from operating activities. This increase was partially offset by the execution of the capital structure optimization program, which included payment of a dividend and a special dividend, as well as the repurchase of shares. Nokia's net cash and other liquid assets was also adversely impacted by cash outflows related to acquisitions and capital expenditures. On April 15, 2015, Nokia announced that the capital structure optimization program will be suspended effective immediately. At December 31, 2012, Nokia's net cash and other liquid assets equaled EUR 4 360 million.

At June 30, 2015, Nokia's cash and cash equivalents (defined as the aggregate of bank and cash and available-for-sale investments, cash equivalents) equaled EUR 3 983 million, a decrease of EUR 2 682 million, compared to EUR 6 611 million at December 31, 2014.

At December 31, 2014, Nokia's cash and cash equivalents (defined as the aggregate of bank and cash and available-for-sale investments, cash equivalents) equaled EUR 5 170 million, a decrease of EUR 2 463 million, compared to EUR 7 633 million at December 31, 2013.

At December 31, 2013, Nokia's cash and cash equivalents (bank and cash and available-for-sale investments, cash equivalent) decreased to EUR 7 633 million, compared with EUR 8 952 million at December 31, 2012.

Nokia holds its cash and other liquid assets predominantly in euro. Nokia's liquid assets are mainly invested in high-quality money market and fixed income instruments with strict maturity limits. Nokia also has a EUR 1 500 million undrawn revolving credit facility available for liquidity purposes.

Nokia's interest-bearing debt consisted of a EUR 750 million convertible bond due in 2017, a EUR 500 million bond due in 2019, a USD 1 000 million bond due in 2019, a USD 500 million bond due in 2039 and EUR 206 million of other liabilities.

In 2014, Nokia repaid a EUR 1 250 million bond, a EUR 500 million loan from the European Investment Bank (the "EIB") and EUR 1 500 million in convertible bonds issued to Microsoft, which were netted against proceeds from the Sale of the Devices & Services Business. In addition, Nokia prepaid all material interest-bearing liabilities related to Nokia Networks, including the EUR 450 million and EUR 350 million bonds due in 2018 and in 2020, respectively, a EUR 88 million Finnish pension loan, a EUR 50 million loan from the EIB, a EUR 16 million loan from Nordic Investment Bank and certain other debt. No new debt was issued in 2014. Nokia has no material debt maturing in 2015.

Cash Flow

For the six months ended June 30, 2015, Nokia's net cash used in operating activities equaled EUR 457 million, a decrease of EUR 1 109 million, compared to net cash from operating activities EUR 652 million for the six months ended June 30, 2014. The primary driver for the adverse change was a EUR 1 650 million cash inflow relating to the upfront payment on a ten-year patent license agreement and related option to extend the license into perpetuity with Microsoft for the comparative six months ended June 30, 2014 as well as cash outflows of net working capital, primarily due to a decrease in short-term liabilities for the six months ended June 30, 2015.

In 2014, Nokia's net cash from operating activities equaled EUR 1 275 million, an increase of EUR 1 203 million, compared to EUR 72 million in 2013. The increase was primarily attributable to EUR 1 214 million net profit, adjusted for non-cash items and a EUR 1 153 million cash release from net working capital. The primary driver for the cash release from net working capital was a EUR 1 650 million cash inflow relating to the upfront payment on a ten-year patent license agreement and related option to extend the license into perpetuity with Microsoft, partially offset by approximately EUR 320 million restructuring related cash outflows in continuing operations and approximately EUR 210 million net working capital related cash outflows in discontinued operations.

In 2013, Nokia's net cash from operating activities equaled EUR 72 million, an increase of EUR 426 million, compared to EUR 354 million cash used in operating activities in 2012. The increase was primarily attributable to an increase in profitability and other financial income and expenses, net and a decrease in income taxes paid. The increase was partially offset by an increase in net working capital cash outflows.

In 2014, Nokia had cash outflows of EUR 1 092 million related to net financial income and expenses and income taxes, an increase of EUR 935 million, compared to EUR 157 million in 2013. The increase was primarily attributable to the early redemption of Nokia Networks' borrowings of approximately EUR 84 million, foreign exchange hedging of approximately EUR 180 million and income taxes of EUR 636 million, of which approximately EUR 300 million were cash outflows relating to discontinued operations.

For the six months ended June 30, 2015, Nokia's net cash used in investing activities equaled EUR 244 million, a decrease of EUR 1 415 million, compared to EUR 1 171 million net cash from investing activities for the six months ended June 30, 2014. The decrease was primarily attributable to cash inflows from proceeds from the sale of Devices & Services Business for the comparative six months ended June 30, 2014.

In 2014, Nokia's cash flow from investing activities equaled EUR 886 million, an increase of EUR 1 577 million, compared to EUR 691 million cash used in investing activities in 2013. Cash inflows from investing activities was primarily driven by gross proceeds attributable to the Sale of the Devices & Services Business of approximately EUR 4 010 million, which included the proceeds used to repay the convertible bonds issued to Microsoft and the increase in proceeds from maturities and sale of current available-for-sale investments, liquid assets. The increase was offset by an increase in purchases of current available-for-sale investments, liquid assets. Cash inflows from investing activities also benefitted EUR 44 million from the sale of property, plant and equipment. The increase was partially offset by cash outflows related to capital expenditure of EUR 311 million and acquisitions of EUR 175 million.

In 2013, Nokia's cash used in investing activities equaled EUR 691 million, a decrease of EUR 1 253 million, compared to net cash flow from investing activities of EUR 562 million in 2012. The decrease was primarily attributable to significantly lower proceeds from the sale and maturities of current available-for-sale investments, liquid assets partially, offset by a decrease in purchases of current available-for-sale investments, liquid assets.

For the six months ended June 30, 2015, Nokia's capital expenditure equaled EUR 158 million, an increase of EUR 1 million, compared to EUR 157 million for the six months ended June 30, 2014. Major items of capital expenditure for the six months ended June 30, 2015 included production lines, test equipment and computer hardware used primarily in R&D as well as office and manufacturing facilities.

In 2014, Nokia's capital expenditure equaled EUR 311 million, a decrease of EUR 96 million, compared to EUR 407 million in 2013. Nokia's capital expenditure in 2012 equaled EUR 461 million. Major items of capital expenditure in 2014 included production lines, test equipment and computer hardware used primarily in R&D, office and manufacturing facilities as well as services and software related intangible assets.

In 2013, Nokia's capital expenditures were EUR 407 million, compared with EUR 461 million in 2012. Major items of capital expenditure included production lines, test equipment and computer hardware used primarily in research and development, office and manufacturing facilities as well as services and software related intangible assets.

For the six months ended June 30, 2015, Nokia's net cash used in financing activities equaled EUR 522 million, a decrease of EUR 2 264 million, compared to net cash used of EUR 2 786 million for the six months ended June 30, 2014. The net cash outflow from financing activities was primarily attributable to dividend payment of approximately EUR 510 million for the six months ended June 30, 2015 and to the repayment of EUR 2 791 million in interest-bearing debt for the comparative six months ended June 30, 2014.

In 2014, Nokia's cash flow used in financing activities equaled EUR 4 576 million, an increase of EUR 4 099 million, compared to EUR 477 million in 2013. Cash outflows from financing activities were primarily attributable to the repayment of EUR 2 791 million in interest-bearing debt, payments of EUR 0.11 per share in dividend totaling EUR 408 million and EUR 0.26 per share in special dividend totaling EUR 966 million, as well as EUR 427 million in cash outflows relating to share repurchases. Nokia also acquired subsidiary shares from a non-controlling interest holder and paid dividends to non-controlling interest holders in 2014 totaling approximately EUR 60 million.

In 2013, Nokia's cash flow used in financing activities equaled EUR 477 million, an increase of EUR 12 million compared to EUR 465 million in 2012. Cash outflows in financing activities were primarily attributable to EUR 1 707 million used to purchase the shares in NSN, EUR 862 million repayment of long-term borrowings, EUR 128 million repayment of short-term borrowings and EUR 71 million payment of dividends, offset by EUR 2 291 million in proceeds from long-term borrowings, which included EUR 1 500 million convertible bonds issued to Microsoft and EUR 450 million and EUR 350 million bonds due in 2018 and in 2020, respectively, issued by Nokia Networks.

Structured Finance

Structured finance includes customer financing and other third-party financing. Network operators occasionally require their suppliers, including Nokia, to arrange, facilitate or provide long-term financing as a condition for obtaining infrastructure projects.

For the six months ended June 30, 2015, Nokia's customer financing commitments equaled EUR 156 million, an increase of EUR 150 million, as compared to EUR 6 million for the six months ended June 30, 2014.

At December 31, 2014, Nokia's customer financing commitments equaled EUR 156 million, an increase of EUR 92 million, compared to EUR 64 million in 2013. At December 31, 2012, Nokia's total customer financing, outstanding and committed amounted to EUR 108 million. Customer financing primarily consisted of financing commitments to network operators.

Nokia expects its customer financing commitments to be financed mainly from cash and other liquid assets and through cash flow from operations.

At December 31, 2014, guarantees of Nokia's performance consisted of EUR 465 million of guarantees that are provided to certain Nokia Networks' customers in the form of bank guarantees, or corporate guarantees issued by Nokia Networks. These instruments entitle the customer to claim payments as compensation for non-performance by Nokia Networks of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either on demand, or is subject to verification of non-performance. At December 31, 2013, guarantees of Nokia's performance consisted of EUR 463 million of guarantees that are provided to certain Networks customers in the form of bank guarantees, or corporate guarantees issued by Networks Group entity. At December 31, 2012, guarantees of Nokia's performance consisted of EUR 598 million of guarantees that are provided to certain Nokia Siemens Networks customers in the form of bank guarantees, or corporate guarantees issued by Nokia Siemens Networks' Group entity.

Financial guarantees and securities pledged that Nokia may give on behalf of customers, represent guarantees relating to payment by certain Nokia Networks' customers and other third parties under specified loan facilities between such customers or other third parties and their creditors. Nokia's obligations under such guarantees are released upon the earlier of expiration of the guarantee or early payment by the customer or other third party.

These instruments entitle the customer to claim payment as compensation for non-performance by Networks of its obligations under network infrastructure supply agreements. Depending on the nature of the instrument, compensation is payable either on demand, or is subject to verification of non-performance.

Venture Fund Investments and Commitments

Nokia makes financing commitments to a number of venture funds that make technology related investments. The majority of the investments are managed by Nokia Growth Partners that specializes in growth-stage investing, seeking companies that are changing the face of mobility and connectivity.

At December 31, 2014, the fair value of Nokia's venture fund investments equaled EUR 778 million, compared to EUR 627 million at December 31, 2013.

As at June 30, 2015, Nokia's venture fund commitments equaled EUR 266 million, compared to EUR 278 million as at June 30, 2014.

At December 31, 2014, Nokia's venture fund commitments equaled EUR 274 million, compared to EUR 215 million at December 31, 2013. As a limited partner in venture funds, Nokia is committed to capital contributions and entitled to cash distributions according to the respective partnership agreements and underlying fund activities.

Venture fund commitments of EUR 215 million in 2013 and EUR 282 million in 2012 were financing commitments to a number of funds making technology related investments. As a limited partner in these funds Nokia is committed to capital contributions and also entitled to cash distributions according to respective partnership agreements and underlying fund facilities.

Commitments and Contingencies

EURm	**2014**	**2013**
Collateral for own commitments		
Assets pledged	10	38
Contingent liabilities on behalf of Group companies		
Other guarantees[1]	673	743
Contingent liabilities on behalf of associated companies		
Financial guarantees on behalf of associated companies	13	16
Contingent liabilities on behalf of other companies		
Financial guarantees on behalf of third parties[2]	6	12
Other guarantees[1]	165	102
Financing commitments		
Customer finance commitments[2]	155	25
Venture fund commitments	274	215

[1] Certain rental guarantees are excluded from other guarantees in 2014 and excluded from other guarantees in 2013 for comparability purposes.
[2] Refer to Note 35 of Nokia's financial statements for the year 2014.

The amounts represent the maximum principal amount for commitments and contingencies.

Contingent liabilities on behalf of other companies are EUR 165 million (EUR 102 million in 2013). The increase is mainly due to the transfer of guarantees in connection with the disposal of certain businesses where contractual risks and revenues have been transferred but some of the commercial guarantees remain to be re-assigned legally. Refer also to the sections "—*Structured Finance*" and "—*Venture Fund Investments and Commitments*" above.

Contractual Obligations

Payments due for contractual obligations for continuing operations at December 31, 2014 by due date are:

EURm	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Continuing operations					
Long-term liabilities[1]	1	735	1 421	514	2 671
Purchase obligations[2]	832	116	9	-	957
Operating leases[3]	133	164	103	142	542
Total	**966**	**1 015**	**1 533**	**656**	**4 170**

[1] Includes current maturities. Refer to Note 35 of Nokia's financial statements for the year 2014..
[2] Includes inventory purchase obligations, service agreements and outsourcing arrangements.
[3] Includes leasing costs for office, manufacturing and warehouse space under various non-cancellable operating leases. Certain contracts contain renewal options for various periods of time. Benefit payments for under-funded defined benefit plans have been excluded as they are not expected to be material in any given period in the future. Refer to Note 8 of Nokia's financial statements for the year 2014.

Off-balance Sheet Liabilities

There are no material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on Nokia's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Subsidies and Government Grants

In 2014, Nokia received EUR 15 million of subsidies and government grants for its continuing operations, compared to EUR 6 million in 2013.

Qualitative and Quantitative Disclosure of Financial Risk Management

Nokia Group has a systematic and structured approach to risk management across business operations and processes. Key risks and opportunities are identified against business targets either in business operations or as an integral part of long- and short-term planning. Key risks and opportunities are analyzed, managed, monitored and identified as part of business performance management with the support of risk management personnel. Nokia Group's overall risk management concept is based on managing the key risks that would prevent the Nokia Group from meeting its objectives, rather than solely focusing on eliminating risks. The principles documented in the Nokia Risk Management Policy, which is approved by the Audit Committee of the Board of Directors, require risk management and its elements to be integrated into key processes. One of the main principles is that the business or function head is also the risk owner, although all employees are responsible for identifying, analyzing and managing risks as appropriate to their roles and duties. Risk management covers strategic, operational, financial and hazard risks. Key risks and opportunities are reviewed by the Nokia Group Leadership Team and the Board of Directors in order to create visibility on business risks as well as to enable prioritization of risk management activities. In addition to the principles defined in the Nokia Risk Management Policy, specific risk management implementation is reflected in other key policies.

General

The objective for treasury activities is to guarantee sufficient funding at all times and to identify, evaluate and manage financial risks. Treasury activities support this aim by mitigating the adverse effects on the profitability of the underlying business caused by fluctuations in the financial markets, and by managing the capital structure of the Nokia

Group by balancing the levels of liquid assets and financial borrowings. Treasury activities are governed by Nokia Group Treasury Policy approved by the Nokia Group Chief Executive Officer which provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management activities. Operating procedures approved by the Nokia Group CFO cover specific areas such as foreign exchange risk, interest rate risk, credit and liquidity risk as well as the use of derivative financial instruments in managing these risks. Nokia Group is risk averse in its treasury activities.

Financial risks are divided into market risk covering foreign exchange risk, interest rate risk and equity price risk; credit risk covering business-related credit risk and financial credit risk; and liquidity risk.

Market Risk

Methodology for Assessing Market Risk Exposures: Value-at-Risk

Nokia Group uses the Value-at-Risk ("VaR") methodology to assess exposures to foreign exchange, interest rate, and equity price risks. The VaR based methodology provides estimates of potential fair value losses in market risk-sensitive instruments as a result of adverse changes in specified market factors, at a specified confidence level over a defined holding period. Nokia Group calculates the foreign exchange VaR using the Monte Carlo method which simulates random values for exchange rates in which Nokia Group has exposures and takes the non-linear price function of certain foreign exchange derivative instruments into account. The variance-covariance methodology is used to assess and measure the interest rate risk and equity price risk.

The VaR is determined using volatilities and correlations of rates and prices estimated from a one-year sample of historical market data, at a 95% confidence level, using a one-month holding period. To put more weight on recent market conditions, an exponentially weighted moving average is performed on the data with an appropriate decay factor. This model implies that within a one-month period, the potential loss will not exceed the VaR estimate in 95% of possible outcomes. In the remaining 5% of possible outcomes, the potential loss will be at minimum equal to the VaR figure and, on average, substantially higher. The VaR methodology relies on a number of assumptions such as that risks are measured under average market conditions, assuming that market risk factors follow normal distributions; future movements in market risk factors follow estimated historical movements; and the assessed exposures do not change during the holding period. Thus, it is possible that, for any given month, the potential losses at 95% confidence level are different and could be substantially higher than the estimated VaR.

Currency Risk

Nokia Group operates globally and is exposed to transaction and translation foreign exchange risks. Transaction risk arises from foreign currency denominated assets and liabilities together with foreign currency denominated future cash flows. Transaction exposures are managed in the context of various functional currencies of foreign Nokia Group companies. Nokia Group's foreign exchange procedures remain the same as in the previous year. Material transactional foreign exchange exposures are hedged unless hedging would be uneconomical due to market liquidity and/or hedging cost. Exposures are defined using transaction nominal values. Exposures are mainly hedged with derivative financial instruments such as forward foreign exchange contracts and foreign exchange options. The majority of financial instruments hedging foreign exchange risk have a duration of less than a year. Nokia Group does not hedge forecast foreign currency cash flows beyond two years.

As Nokia Group has entities where the functional currency is other than the euro, the shareholders' equity is exposed to fluctuations in foreign exchange rates. Equity changes caused by movements in foreign exchange rates are shown as currency translation differences in Nokia Group's consolidated financial statements. The Nokia Group may, from time to time, use forward foreign exchange contracts, foreign exchange options and foreign currency denominated loans to hedge its foreign exchange exposure arising from foreign net investments.

Nokia Group has certain entities where the functional currency is the currency of a hyperinflationary economy. In 2014, Nokia Group recorded an expense of EUR 17 million, mainly recognized in financial income and expenses, as a result of the Nokia Group's hyperinflationary accounting assessment for its entity in Venezuela. The impact was not material in 2013 or 2012. Business operations in hyperinflationary economies carry a risk of future devaluation of monetary assets and liabilities. This risk cannot be hedged.

Currencies that represent a significant portion of the currency mix in outstanding financial instruments at December 31 were as follows:

EURm	**USD**	**JPY**	**CNY**	**KRW**
2014				
Foreign exchange derivatives used as cash flow hedges, net[1]	(198)	(365)	-	-
Foreign exchange derivatives used as net investment hedges, net[2]	(1 808)	-	-	-
Foreign exchange exposure from statement of financial position items, net[3]	(2 272)	224	325	127
Foreign exchange derivatives not designated in a hedge relationship, carried at fair value through profit and loss, net[3]	1 670	(272)	(371)	(159)
Cross-currency/interest rate hedges	440	-	-	-
2013				
Foreign exchange derivatives used as cash flow hedges, net[1]	(409)	(232)	-	-
Foreign exchange derivatives used as net investment hedges, net[2]	(724)	(14)	(358)	(62)
Foreign exchange exposure from statement of financial position items, net[3]	(217)	36	(47)	57
Foreign exchange derivatives not designated in a hedge relationship, carried at fair value through profit and loss, net[3]	(367)	(116)	81	(94)
Cross-currency/interest rate hedges	390	-	-	-

[1] Used to hedge the foreign exchange risk from forecasted highly probable cash flows related to sales, purchases and business acquisition activities. In some currencies, especially the U.S. dollar, the Group has substantial foreign exchange risks in both estimated cash inflows and outflows. The underlying exposures for which these hedges are entered into are not presented in the table as they are not financial instruments.
[2] Used to hedge the Group's net investment exposure. The underlying exposures for which these hedges are entered into are not presented in the table as they are not financial instruments.
[3] The statement of financial position items and some probable forecasted cash flows which are denominated in foreign currencies are hedged by a portion of foreign exchange derivatives not designated in a hedge relationship and carried at fair value through profit and loss.

The VaR figures for Nokia Group's financial instruments which are sensitive to foreign exchange risks are presented in the following table. The VaR calculation includes foreign currency denominated monetary financial instruments such as: available-for-sale investments, loans and accounts receivable, investments at fair value through profit and loss, cash, loans and accounts payable; foreign exchange derivatives carried at fair value through profit and loss which are not in a hedge relationship and are mostly used to hedge the statement of financial position foreign exchange exposure; and foreign exchange derivatives designated as forecasted cash flow hedges and net investment hedges. Most of the VaR is caused by these derivatives as forecasted cash flow and net investment exposures are not financial instruments as defined in IFRS 7, Financial Instruments: Disclosures, and thus not included in the VaR calculation.

	VaR from financial instruments	
EURm	**2014**	**2013**
At December 31	79	42
Average for the year	54	114
Range for the year	30-94	42-188

Interest Risk

Nokia Group is exposed to interest rate risk either through market value fluctuations of the consolidated statement of financial position items (price risk) or through changes in interest income or expenses (refinancing or reinvestment risk). Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and the statement of financial position structure also expose Nokia Group to interest rate risk. The objective of interest rate risk management is to mitigate the impact of interest rate fluctuations on the consolidated income statement, cash flow, and financial assets and liabilities whilst taking into consideration Nokia Group's target capital structure and the resulting net interest rate exposure.

The interest rate profile of interest-bearing assets and liabilities at December 31 was:

	2014		2013	
EURm	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**
Assets	3 494	4 243	4 400	4 739
Liabilities	(2 681)	(1)	(5 947)	(630)
Asset and liabilities before derivatives	**813**	**4 242**	**(1 547)**	**4 109**
Interest rate derivatives	552	(469)	954	(926)
Assets and liabilities after derivatives	**1 365**	**3 773**	**(593)**	**3 183**

The interest rate exposure is monitored and managed centrally. Nokia Group uses the VaR methodology complemented by selective shock sensitivity analyses to assess and measure Nokia Group's interest rate exposure comprising the interest rate risk of interest-bearing assets, interest-bearing liabilities and related derivatives. The VaR for the interest rate exposure in the investment and debt portfolios is presented in the following table. Sensitivities to credit spreads are not reflected in the following numbers.

EURm	**2014**	**2013**
At December 31	31	42
Average for the year	32	45
Range for the year	25–54	20–84

Equity Price Risk

Nokia Group's exposure to equity price risk is related to certain publicly listed equity shares. In 2014, the fair value of these investments was EUR 12 million (EUR 11 million in 2013). The VaR for Nokia Group's equity investments in publicly traded companies is insignificant. The private funds where Nokia Group has investments may, from time to time, have investments in public equity. Such investments have not been included in the above number.

Other Market Risk

In certain emerging market countries, there are local exchange control regulations that provide for restrictions on making cross-border transfers of funds as well as other regulations that impact Nokia Group's ability to control its net assets in those countries.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Nokia Group. Credit risk arises from credit exposures to customers, including outstanding receivables, financial guarantees and committed transactions, as well as financial institutions, including bank and cash, fixed income and money-market investments, and derivative financial instruments. Credit risk is managed separately for business-related and financial credit exposures.

Except for the first two items in the following table, the maximum exposure to credit risk is limited to the book value of financial assets as included in the consolidated statement of financial position:

EURm	**2014**	**2013**
Financial guarantees given on behalf of customers and other third parties	6	12
Loan commitments given but not used	155	25
Outstanding customer finance loans	1	39
Total	**162**	**76**

Business-related Credit Risk

Nokia Group aims to ensure the highest possible quality in accounts receivable and loans due from customers and other third parties. Nokia Group credit policy, approved by the President and Chief Executive Officer of Nokia Group, and the related procedures approved by the Nokia Group CFO, lay out the framework for the management of the business-related credit risks. The credit policy and related procedures set out that credit decisions are based on credit evaluation in each business, including credit rating for larger exposures, according to defined rating principles. Material credit exposures require Group-level approval. Credit risks are monitored in each business and, where appropriate, mitigated with the use of letters of credit, collateral, insurance, and the sale of selected receivables.

Credit exposure is measured as the total of accounts receivable and loans outstanding due from customers and committed credits. Accounts receivable do not include any major concentrations of credit risk by customer. The top three customers accounted for approximately 3.5%, 2.9% and 2.8% (4.0%, 3.6% and 3.3% in 2013) of Nokia Group's accounts receivable and loans due from customers and other third parties at December 31, 2014. The top three credit exposures by country accounted for approximately 18.0%, 7.4% and 5.6% (20.9%, 6.3% and 5.7% in 2013) of Nokia Group's accounts receivable and loans due from customers and other third parties at December 31, 2014. The 18.0% credit exposure related to accounts receivable in China (20.9% in 2013).

Nokia Group has provided allowances for doubtful accounts on accounts receivable and loans due from customers and other third parties not past due based on an analysis of debtors' credit ratings and credit histories. Nokia Group establishes allowances for doubtful accounts that represent an estimate of expected losses at the end of the reporting period. All receivables and loans due from customers are considered on an individual basis to determine the allowances for doubtful accounts. In 2014, the total of accounts receivable and loans due from customers was EUR 3 432 million (EUR 2 929 million in 2013). The gross carrying amount of accounts receivable, related to customer balances for which valuation allowances have been recognized, was EUR 1 200 million (EUR 1 075 million in 2013). The allowances for doubtful accounts for these accounts receivable as well as amounts expected to be uncollectible for acquired receivables were EUR 103 million (EUR 132 million in 2013).

Aging of past due receivables not considered to be impaired at December 31 was as follows:

EURm	2014	2013
Past due 1-30 days	68	53
Past due 31-180 days	42	43
More than 180 days	35	13
Total	**145**	**109**

Hazard Risk

Nokia Group strives to ensure that all financial, reputation and other losses to Nokia Group and its customers are managed through preventive risk management measures. Insurance is purchased for risks which cannot be internally managed efficiently and where insurance markets offer acceptable terms and conditions. The objective is to ensure that hazard risks, whether related to physical assets, such as buildings, intellectual assets, such as the Nokia brand, or potential liabilities, such as product liabilities, are insured optimally taking into account both cost and retention levels. Nokia Group purchases both annual insurance policies for specific risks as well as multi-line and/or multi-year insurance policies where available.

Financial Credit Risk

Financial instruments contain an element of risk resulting from changes in the market price due to counterparties becoming less creditworthy or risk of loss due to counterparties being unable to meet their obligations. Financial credit risk is measured and monitored centrally by Nokia Group Treasury. Financial credit risk is managed actively by limiting counterparties to a sufficient number of major banks and financial institutions, and by monitoring the creditworthiness and the size of exposure continuously. Additionally, Nokia Group enters into netting arrangements with all major counterparties, which give Nokia Group the right to offset in the event that the counterparty would not be able to fulfill its obligations. Nokia Group enters into collateral agreements with certain counterparties, which require counterparties to post collateral against derivative receivables.

Investment decisions are based on strict creditworthiness and maturity criteria as defined in the Treasury-related policies and procedures. As a result of this investment policy approach and active management of outstanding investment exposures, Nokia Group has not been subject to any material credit losses in its financial investments in the years presented.

The following table sets forth a breakdown of outstanding fixed income and money market investments by sector and credit rating grades ranked as per Moody's rating categories at December 31:

EURm	Rating[1]	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years	Total[2,3]
2014							
Banks	Aaa	1 227					1 227
	Aa1-Aa3	162					162
	A1-A3	587		330			917
	Baa1-Baa3	332	325			1	658
	Non-rated	108				2	110
Governments	Aaa	130	556	423	26	385	1 520
	Aa1-Aa3	50		421	25	88	584
Other	Baa1-Baa3					11	11
Total		**2 596**	**881**	**1 174**	**51**	**487**	**5 189**

EURm	Rating[1]	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due beyond 5 years	Total[2,3]
2013							
Banks	Aaa	795					795
	Aa1-Aa3	738					738
	A1-A3	1 281					1 281
	Baa1-Baa3	826		2			828
	Non-rated	159					159
Governments	Aaa	405	193	202		111	911
	Aa1-Aa3	176	39	357			572
Other	A1-A3		11				11
Total		**4 380**	**243**	**561**	**-**	**111**	**5 295**

[1] Bank Parent Company ratings are used here for bank groups. In some emerging markets countries, actual bank subsidiary ratings may differ from the Parent Company rating.
[2] Fixed income and money-market investments include term deposits, structured deposits, investments in liquidity funds and investments in fixed income instruments classified as available-for-sale investments and investments at fair value through profit and loss. Liquidity funds invested solely in government securities are included under Governments. Other liquidity funds are included under Banks.
[3] Includes EUR 11 million of restricted investments (EUR 39 million in 2013) within fixed income and money-market investments. These are restricted financial assets under various contractual or legal obligations.

In 2014, 98% (98% in 2013) of Nokia Group's cash at bank was held with banks of investment grade credit rating.

Liquidity Risk

Financial assets and liabilities subject to offsetting under enforceable master netting agreements and similar arrangements at December 31, 2014 and December 31, 2013 were:

				Related amounts not set off in the statement of financial position		
EURm	**Gross amounts of financial assets/ (liabilities)**	**Gross amounts of financial liabilities/ (assets) set off in the statement of financial position**	**Net amounts of financial assets/ (liabilities) presented in the statement of financial position**	**Financial instruments assets/ (liabilities)**	**Cash collateral received/ (pledged)**	**Net amount**
2014						
Derivative assets	241		241	124	85	32
Derivative liabilities	(174)		(174)	(124)		(50)
Total	**67**	**-**	**67**	**-**	**85**	**(18)**
2013						
Derivative assets	191		191	34	66	91
Derivative liabilities	(35)		(35)	(34)		(1)
Total	**156**	**-**	**156**	**-**	**66**	**90**

The financial instruments subject to enforceable master netting agreements and similar arrangements are not offset in the consolidated statement of financial position where there is no intention to settle net or realize the asset and settle the liability simultaneously.

Liquidity risk is defined as financial distress or extraordinarily high financing costs arising from a shortage of liquid funds in a situation where outstanding debt needs to be refinanced or where business conditions unexpectedly deteriorate and require financing. Transactional liquidity risk is defined as the risk of executing a financial transaction below fair market value or not being able to execute the transaction at all within a specific period of time. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available fast enough without endangering its value in order to avoid uncertainty related to financial distress at all times.

Nokia Group aims to secure sufficient liquidity at all times through efficient cash management and by investing in short-term liquid interest-bearing securities. Depending on its overall liquidity position, Nokia Group may pre-finance or refinance upcoming debt maturities before contractual maturity dates. The transactional liquidity risk is minimized by entering into transactions where proper two-way quotes can be obtained from the market.

Due to the dynamic nature of the underlying business, Nokia Group aims to maintain flexibility in funding by maintaining committed and uncommitted credit lines. At December 31, 2014, Nokia Group's committed revolving credit facilities totaled EUR 1 500 million (EUR 2 250 million in 2013).

Significant current long-term funding programs at December 31, 2014 are outlined below:

Issuer	**Program**	**Issued**
Nokia Corporation	Euro Medium-Term Note Program, totaling EUR 5 000 million	EUR 1 750 million

Significant current short-term funding programs at December 31, 2014 are outlined below:

Issuer(s):	Program:	Issued
Nokia Corporation	Local commercial paper program in Finland, totaling EUR 750 million	-
Nokia Corporation	US Commercial Paper program, totaling USD 4 000 million	-
Nokia Corporation and Nokia Finance International B.V.	Euro Commercial Paper program, totaling USD 4 000 million	-
Nokia Solutions and Networks Finance B.V.	Local commercial paper program in Finland, totaling EUR 500 million	-

The composition of interest-bearing liabilities at December 31 was:

EURm	Issuer/borrower	Final maturity	2014	2013
Revolving Credit Facility (EUR 1 500 million)	Nokia Corporation	March 2016	-	-
USD Bond 2039 (USD 500 million 6.625%)	Nokia Corporation	May 2039	412	364
USD Bond 2019 (USD 1000 million 5.375%)	Nokia Corporation	May 2019	824	727
EUR Bond 2019 (EUR 500 million 6.75%)	Nokia Corporation	February 2019	500	500
EUR Convertible Bond 2017 (EUR 750 million 5%)	Nokia Corporation	October 2017	750	750
EUR Bond 2014 (EUR 1 250 million 5.5%)	Nokia Corporation	February 2014	-	1 250
EUR EIB R&D Loan	Nokia Corporation	February 2014	-	500
Prepaid liabilities[1]	Nokia Corporation	April 2014	-	1 500
Prepaid liabilities[2]	Nokia Solutions and Networks Finance B.V. and Nokia and Nokia Solutions and Networks Oy	June 2014	-	958
Differences between Bond nominal and carrying values[3]	Nokia Corporation		21	(182)
Other liabilities[4]	Nokia Corporation and various subsidiaries		185	295
Total			**2 692**	**6 662**

[1] On April 25, 2014, Nokia Group completed the Sale of the Devices & Services Business and EUR 500 million 1.125% convertible bonds due September 2018, EUR 500 million 2.5% convertible bonds due September 2019, and EUR 500 million 3.625% convertible bonds due September 2020, all issued by Nokia Corporation to Microsoft, were prepaid and netted against deal proceeds by the amount of principal and accrued interest.
[2] On June 19, 2014, Nokia Solutions and Networks Finance B.V. redeemed the EUR 450 million 6.75% bonds due April 2018 and the EUR 350 7.125% bonds due April 2020. During the second quarter 2014, Nokia Solutions and Networks Finance B.V. prepaid the EUR 88 million Finnish Pension Loan due October 2015, the EUR 50 million R&D Loan from the European Investment Bank, the EUR 16 million Loan from the Nordic Investment Bank and cancelled the EUR 750 million Revolving Credit Facility due June 2015.
[3] Includes mainly fair value adjustments for bonds that are designated under fair value hedge accounting and the difference between convertible bond nominal value and carrying value of the financial year liability component.
[4] Includes EUR 8 million (EUR 76 million in 2013) of non-interest-bearing liabilities relating to cash held temporarily due to the divested businesses where Nokia Networks continues to perform services within a contractually defined scope for a specified timeframe.

Upon completion of the above redemptions and cancellations, Nokia Corporation is the issuer or borrower in all material borrowings. All of these borrowings are senior unsecured and have no financial covenants.

Use of Estimates and Critical Accounting Judgements

The preparation of consolidated financial statements in accordance with IFRS requires the application of management judgment in selecting appropriate assumptions for calculating financial estimates. Nokia's management bases its estimates on historical experience, expected outcomes and various other assumptions that are believed to be reasonable under the circumstances. These estimates form the basis for the reported carrying values of assets and liabilities and recognized revenues and expenses that may not be readily apparent from other sources. Material estimates are revised if changes in circumstances occur or as a result of new information or more experience. As estimates inherently contain a varying degree of uncertainty, actual outcomes may differ, resulting in additional charges or credits to the consolidated income statement. For more information about the use of estimates and critical accounting judgments, refer to Note 1 of the accounting principles of Nokia's audited consolidated financial statements for the financial year ended December 31, 2014.

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Overview

For information about Alcatel Lucent in general, including its history and development, structure, business organization, segments and products, refer to section "*Information about the Group*" on pages A-27 to A-35 of Annex A.

Recent Developments

On September 1, 2015, the resignation of Mr. Michel Combes from his position of CEO and Director of Alcatel Lucent became effective. As of September 1, 2015, Mr. Philippe Camus has acted as the Interim CEO of Alcatel Lucent. For more information, refer to the section "*Operating and Financial Review and Prospects—Highlights of Recent Events*" on page A-427 of Annex A.

On September 2, 2015, Alcatel Lucent's wholly owned subsidiary, Alcatel-Lucent USA Inc., announced it had accepted for purchase an aggregate principal amount of $300 000 000 of its outstanding $1 000 000 000 6.75% senior notes due in 2020 pursuant to its tender offer announced on July 31, 2015.

On September 11, 2015, Alcatel Lucent announced that its Board of Directors had reviewed the recommendations made by the High Committee on Corporate Governance regarding the conformity of Michel Combes' long-term compensation with the corporate governance code of reference for publicly traded companies ("AFEP-MEDEF Code") and with observations received from the AMF in that respect. As a result, the maximum amount of multi-year variable compensation to be received by Mr. Combes would be a total of EUR 4 845 109 and the amount of indemnity under Mr. Combes' non-compete agreement was reduced to EUR 3.1 million. The duration of the non-compete clause was also extended to 40 months.

On October 6, 2015, Alcatel Lucent announced it would continue to operate its undersea cable business, Alcatel-Lucent Submarine Networks, as a wholly-owned subsidiary. ASN will continue to execute its strategic roadmap, strengthen its leadership in submarine cable systems for telecom applications and pursue further diversification into the oil & gas sector.

Prospects

For information about Alcatel Lucent's prospects, refer to section "*Operating and financial review and prospects—Strategy and Outlook*" on pages A-76 to A-78 of Annex A.

Results of Operations

For information about Alcatel Lucent's consolidated and segment results of operations, refer to section "*Operating and financial review and prospects*" on pages A-56 to A-67 and "*Operating and financial review and prospects—Consolidated and segment results of operations for the six months ended June 30, 2015 compared to the six months ended June 30, 2014*" on pages A-428 to A-432 of Annex A.

Liquidity and Capital Resources

For information about Alcatel Lucent's liquidity and capital resources including information on Alcatel Lucent's capital expenditures, refer to section "*Operating and financial review and prospects—Liquidity and capital resources*" on pages A-67 to A-72, section "*Consolidated financial statements—Consolidated statements of cash flows*" on page A-200, section "*Key figures—Change in net cash capitalization*" on page A-327 and section "*Operating and financial review and prospects—Liquidity and capital resources*" on pages A-433 to A-435 of Annex A.

Qualitative and Quantitative Disclosure of Financial Risk Management

For qualitative and quantitative disclosure of Alcatel Lucent's financial risk management, refer to sections "*Operating and financial review and prospects—Qualitative and quantitative disclosures about market risks*" on pages A-78 to A-79, "*Corporate Governance—Chairman's corporate governance report—Powers and activity of the Board of Directors' Committees—Audit and Finance Committee—Internal control and risk management*" on page A-116 and "*Report of the Chairman of the Board of Directors – internal control and risk management—Global system of internal control and risk management*" A-358 to A-368 of Annex A.

Selected Critical Accounting Policies and Use of Judgments and Estimates

For information about Alcatel Lucent's selected critical accounting policies and use of judgments and estimates, refer to sections "*Operating and financial review and prospects—Critical accounting policies*" on pages A-53 to A-56 and "*Notes to consolidated financial statements*" on pages A-203 to A-216 of Annex A.

Recent and Future Changes in Accounting Policies

For information about recent and future changes in Alcatel Lucent's accounting policies, refer to sections "*Operating and financial review and prospects—Changes in accounting standards as of January 1, 2014*" on pages A-52 to A-53, "*Critical accounting policies*" on pages A-53 to A-56 and "*Notes to consolidated financial statements—Note 4 Change in accounting policy and presentation*" on page A-217 of Annex A.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

Nokia

General

Pursuant to the provisions of the Finnish Companies Act and the Articles of Association of Nokia, the control and management of the Company is divided among the shareholders at a General Meeting, the Board of Directors and the Nokia Group Leadership Team, chaired by the President and Chief Executive Officer.

The shareholders may exercise their decision-making power and their right to speak and ask questions at the General Meeting of Shareholders. Each Nokia Share entitles a shareholder to one vote at the General Meetings of Nokia Shareholders. Pursuant to the Finnish Companies Act, an Annual General Meeting of Shareholders must be convened by June 30 annually. In addition, General Meetings of Shareholders shall also be held when requested in writing by the auditor of the Company or by shareholders representing at least one-tenth of all the outstanding shares of the Company.

The operations of Nokia are managed under the direction of the Board, within the framework set by the Finnish Companies Act and Nokia's Articles of Association as well as any complementary rules of procedure as defined by the Board, such as the Corporate Governance Guidelines and related Board Committee charters. According to Nokia's Articles of Association, the Company shall have a Board of Directors comprising a minimum of seven and a maximum of 12 members who shall be elected at the Annual General Meeting of Shareholders.

Under its Articles of Association, Nokia has a Nokia Group Leadership Team that is responsible for the operative management of Nokia. The Chairman and members of the Nokia Group Leadership Team are appointed by the Board. Nokia Group Leadership Team is chaired by the President and Chief Executive Officer. The President and Chief Executive Officer's rights and responsibilities include those allotted to the President under Finnish law.

The mail address of the Board of Directors, the President and Chief Executive Officer and the members of the Nokia Group Leadership Team is c/o Nokia Corporation, Karaportti 3, FI-02610 Espoo, Finland.

Nokia's Board of Directors, President and Chief Executive Officer and Nokia Group Leadership Team

Board of Directors

Pursuant to the Articles of Association, Nokia Corporation has a Board of Directors composed of a minimum of seven and a maximum of 12 members. The members of the Board are elected for a term beginning at the Annual General Meeting in which they are elected and expiring at the close of the following Annual General Meeting. The Annual General Meeting convenes by June 30 annually.

Nokia Board's leadership structure consists of a Chairman and Vice Chairman elected annually by the Board, and confirmed by the independent directors of the Board, from among the Board members upon the recommendation of the Corporate Governance and Nomination Committee. The independent directors of the new Board also confirm the election of the members and chairmen for the Board's Committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and based on each Committee's member qualification standards. These elections will take place at the Board's assembly meeting following General Meeting that appointed the Board of Directors.

On May 5, 2015, the independent directors of the Board elected Risto Siilasmaa to continue to serve as the Chairman and Jouko Karvinen as the Vice Chairman of the Board. The Chairman of the Board has certain specific duties as stipulated by Finnish law and Nokia's Corporate Governance Guidelines. The Vice Chairman of the Board of Directors assumes the duties of the Chairman of the Board in the event he or she is prevented from performing his or her duties.

Nokia does not have a policy concerning the combination or separation of the roles of the Chairman of the Board and the President and Chief Executive Officer, but the leadership structure is dependent on the company needs, shareholder value and other relevant factors applicable from time to time, while respecting the highest corporate governance standards. As of May 1, 2014, Rajeev Suri was appointed as the President and Chief Executive Officer, while Risto Siilasmaa continued as the Chairman of the Board.

The current members of the Board are all non-executive. For the term of the Board that began at the Annual General Meeting in 2015, all Board members were determined to be independent as defined by the Finnish Corporate Governance Code as well as by the rules of the NYSE.

The current eight members of the Board of Directors were elected at the Annual General Meeting held on May 5, 2015, based on the proposal of the Board's Corporate Governance and Nomination Committee and they are as follows. The term of office of the members of the Board of Directors continues until the close of the Annual General Meeting in 2016.

Name	Position	Member of the Board of Directors since
Risto Siilasmaa	Chairman (since 2012)	2008
Jouko Karvinen	Vice Chairman (since 2013)	2011
Bruce Brown	Board member	2012
Vivek Badrinath	Board member	2014
Elizabeth Doherty	Board member	2013
Simon Jiang	Board member	2015
Elizabeth Nelson	Board member	2012
Kari Stadigh	Board member	2011

Name	Year of Birth	Present Principal Occupation and Five-Year Employment History
Risto Siilasmaa	1966	Risto Siilasmaa has been a member of Nokia's Board of Directors since 2008 and chairman of the Board of Directors since 2012. Mr. Siilasmaa is also the chairman of the Corporate Governance and Nomination Committee. Mr. Siilasmaa is an independent director. Mr. Siilasmaa was the president and CEO of F-Secure Corporation from 1988-2006. Mr. Siilasmaa was a member of the Board of Directors and of the audit committee of Elisa Corporation from 2007-2008, and chairman of the Board of Directors of Elisa Corporation from 2008-2012. Mr. Siilasmaa has served as chairman of the Board of Directors of F-Secure Corporation since 1988, co-founder and special partner of Nexit Ventures since 2000, vice chairman of the Board of Directors of The Federation of Finnish Technology Industries since 2007, member of the Board of Directors of The Confederation of Finnish Industries (EK) since 2013, and member of the European Roundtable of Industrialists since 2013. Mr. Siilasmaa was previously a member of the Board of Mendor Oy from 2011–2014, member of the Board of Blyk from 2006-2013, member of the Board of The Confederation of Finnish Industries EK from 2007-2010, chairman of Fruugo from 2007-2012, member of the Board of Directors of Efecte from 2007-2012, member of the organizing committee of EBLC- European Business Leaders' Convention from 2009-2011, member of the Board of Ekahau, Inc. from 2008-2011, chairman of the working group, Vigo from 2009-2010, and chairman of the working group, The Future of the Finnish General Conscription System from 2009-2010. Mr. Siilasmaa is a Finnish citizen.
Jouko Karvinen	1957	Jouko Karvinen has been a member of Nokia's Board of Directors since 2011 and the vice chairman of the Board of Directors since 2013. Mr. Karvinen is also the chairman of the Audit Committee and member of the Corporate Governance and Nomination Committee. Mr. Karvinen is an independent director. Mr. Karvinen has been a member of the Board of

Aktiebolaget SKF since 2010. Mr. Karvinen was the CEO of Stora Enso Oyj from 2007-2014, CEO of Philips Medical Systems Division from 2002-2006, member of the Board of Management of Royal Philips Electronics in 2006 and member of the group management committee between 2002-2006, and was holder of multiple executive and managerial positions, including executive vice president, head of the automation technology products division and member of the group executive committee at ABB Group Limited from 1987-2002. Mr. Karvinen was previously a member of the boards of directors of Celulosa Y energía punta pereira sociedad anónima, El esparragal asociacíon agraria de responsibilidad limitada, Eufores sociedad anonima, Forestal cono sur S.A, Stora enso Uruguay S.A., Terminal logistíca, and Zona franca punta Pereira sociedad anónima from 2009-2014, as well as member of the Board of Directors of the Finnish Forest Industries Federation from 2007-2014, member of the Board of Directors of the Confederation of European Paper Industries from 2007-2014, member of the business co-operations council and co-chairman of the Forest Industry Task Force, EU-Russia Industrialists' Round Table from 2008-2014 and member of the election committee of the Confederation of Finnish Industries from 2007-2010. Mr. Karvinen is a Finnish citizen.

Vivek Badrinath	1969	Vivek Badrinath has been a member of Nokia's Board of Directors since 2014. Mr. Badrinath is also a member of the Audit Committee. Mr. Badrinath is an independent director. Mr. Badrinath is the deputy CEO of Accor Group. Mr. Badrinath is a member of the Board of Directors of AAPC India. Mr. Badrinath was the deputy CEO of Orange from 2013-2014, head of business services of Orange from 2010-2013, member of the executive committee and head of networks and operators division of Orange from 2009-2010, CTO of mobile activities of Orange from 2004-2009 and held various technical positions in the long-distance networks division of Orange Group from 1996-2000. Mr. Badrinath was the CEO of Thomson India from 2000-2004. Mr. Badrinath was a member of the Board of Directors of FT Marine SAS from 2012-2013. Mr. Badrinath is a French citizen.
Bruce Brown	1958	Bruce Brown has been a member of Nokia's Board of Directors since 2012. Mr. Brown is also the chairman of the Personnel Committee and member of the Corporate Governance and Nomination Committee. Mr. Brown is an independent director. Mr. Brown was the CTO of The Proctor & Gamble Company between 2008 and 2014 and served in various executive and managerial capacities in the baby care, feminine care and beauty care units of The Proctor and Gamble Company in the United States, Germany and Japan between 1980 and 2008. Mr. Brown is a member of the Board of Agency for Science, Technology & Research (A*STAR) in Singapore, a member of the Board of Trustees of Xavier University and a member of the board, audit committee, and nominating and corporate governance committee of P.H. Glatfelter Company. Mr. Brown is a United States citizen.
Elizabeth Doherty	1957	Elizabeth Doherty has been a member of Nokia's Board of Directors since 2013 and is also a member of the Audit Committee. Ms. Doherty is an independent director. Ms. Doherty was the CFO of Cognita Schools from 2014-2015, CFO and executive director of Reckitt Benckiser Group plc from 2011-2013, CFO and executive director of Brambles Industries Ltd from 2007-2009 and group international finance director of Tesco plc from 2001-2007. Ms. Doherty held various executive and managerial positions,

		including senior president finance, Central and Eastern Europe; commercial director, Unilever Thai Holdings Ltd; commercial director, Frigo España SA; supply chain manager, Mattessons Walls Ltd; and internal audit manager, at Unilever plc from 1979-2001. Ms. Doherty is a member of the board, member of the remuneration committee and chair of the audit committee of Dunelm Group plc, a member of the supervisory boad of Corbion NV, and a member of the board and audit committee of Delhaize SA. Ms. Doherty was a member of the board and audit committee of SAB Miller plc from 2004-2011. Ms. Doherty is a citizen of the United Kingdom. Nokia announced on October 22, 2015, that Elizabeth Doherty will step down from the Nokia Board of Directors subject to and following the Completion of the Exchange Offer.
Simon Jiang	1953	Simon Jiang has been a member of Nokia's Board of Directors since 2015. Mr. Jiang is also a member of the Personnel Committee. Mr. Jiang is an independent director. Mr. Jiang is the founder and chairman of CyberCity International Limited. Mr. Jiang was the chairman of Vision Century Corporation Ltd from 2002-2008, founder of CyberCity Group of Companies from 1997-2002 and deputy chief and fund manager of United Nations Joint Staff Pension Fund from 1992-1997. Mr. Jiang is the non-executive director of China Petroleum Chemical Corp (Sinopec), non-executive director of COSCO International Holdings Ltd., and trustee of Cambridge China Development Trust, director of China Disabled Persons Federation, national committee member of Chinese People's Political Consultative Conference, member of United Nations Pension Fund Investments Committee and a senior fellow of Judge Business School, Cambridge University. Mr. Jiang is a citizen of the Hong Kong SAR of China.
Elizabeth Nelson	1960	Ms. Nelson has been a member of Nokia's Board of Directors since 2012 and is also a member of the Audit Committee. Ms. Nelson is an independent director. Ms. Nelson is the chairman of the board of DAI, independent lead director and chair of the audit committee of Zendesk Inc., and member of the board and chair of the audit committee of Pandora Media. Ms. Nelson was the executive vice president and CFO of Macromedia, Inc. from 1997-2005, vice president, corporate development, of Macromedia, Inc. from 1996-1997, various roles in Corporate Development and International Finance of Hewlett-Packard Company from 1988-1996 and an associate, Robert Nathan Associates from 1982-1986. Ms. Nelson was a member of the boards of directors of Brightcove, Inc. from 2010-2014, SuccessFactors, Inc. from 2007-2012, Ancestry.com, Inc. from 2009-2012 and Autodesk, Inc. from 2007-2010. Ms. Nelson is a United States citizen.
Kari Stadigh	1955	Kari Stadigh has been a member of Nokia's Board of Directors since 2011 and is also a member of the Personnel Committee and the Corporate Governance and Nomination Committee. Mr. Stadigh is an independent director. Mr. Stadigh is group CEO and president of Sampo plc. Mr. Stadigh was deputy CEO of Sampo plc from 2001-2009, president of Sampo Life Insurance Company Limited from 1999-2000, president of Nova Life Insurance Company Ltd from 1996 to 1998 and president and COO of Jaakko Pöyry Group from 1991-1996. Mr. Stadigh is a member of the Board of Directors and chair of the risk committee of Nordea Bank AB (publ), chairman of the Boards of Directors of If P&C Insurance Holding

Ltd (publ) and Mandatum Life Insurance Company Limited, and member of the Board of Directors of the Federation of Finnish Financial Services and Waypoint Capital Group Holdings Ltd. Mr. Stadigh was member of the Board of Directors of Central Chamber of Commerce of Finland from 2011-2015, chairman of the Board of Directors of Kaleva Mutual Insurance Company from 2001-2014, member of the Board of Directors of Varma Mutual Pension Insurance Company from 2008-2013, member of the Board of Directors of Confederation of Finnish Industries EK from 2011-2013, chairman of the Board of Directors of Alma Media Corporation from 2005-2011, member of the Board of Directors of Pension Insurance Corporation holdings LLP from 2006-2011 and a member of the Board of Directors of Oy Forcit AB from 2006-2015. Mr. Stadigh is a Finnish citizen.

On October 22, 2015, Nokia announced that the Nokia Board of Directors has resolved to convene an Extraordinary General Meeting to be held on December 2, 2015. The Board and its Corporate Governance and Nomination Committee submitted a proposal for changes to the composition of the Board of Directors, increasing the number of members of the Board of Directors from the current eight members to ten members and that Louis R. Hughes, Jean C. Monty and Olivier Piou be elected as new members of the Board of Directors of Nokia, subject to and following the Completion of the Exchange Offer. Elizabeth Doherty will step down from the Nokia Board of Directors subject to and following the Completion of the Exchange Offer. The Corporate Governance and Nomination Committee will propose to the Board of Directors at the assembly meeting of the new Board of Directors taking place after the Completion of the Exchange Offer that Olivier Piou be elected as the new Vice Chairman of the Board of Directors, subject to his election to the Board. Risto Siilasmaa will continue as the Chairman of the Board of Directors

Board of Directors' Work

The Board represents and is accountable to the shareholders of Nokia. The Board's responsibilities are active, not passive, and include the responsibility to evaluate the strategic direction of Nokia, its management policies and the effectiveness of the implementation of such by the management on a regular basis. It is the responsibility of the members of the Board to act in good faith and with due care, so as to exercise their business judgment on an informed basis, in a manner which they reasonably and honestly believe to be in the best interests of Nokia and its shareholders. In discharging that obligation, the members of the Board must inform themselves of all relevant information reasonably available to them. The Board and each Board Committee also has the power to appoint independent legal, financial or other advisers as they deem necessary from time to time.

The Board's responsibilities also include overseeing the structure and composition of Nokia's top management and monitoring legal compliance and the management of risks related to Nokia's operations. In doing so, the Board may set annual ranges and/or individual limits for capital expenditures, investments and divestitures and financial commitments that are not to be exceeded without separate Board approval.

In risk management policies and processes, the Board's role includes risk analysis and assessment in connection with financial, strategy and business reviews, updates and decision-making proposals.

The Board has the responsibility for appointing and discharging the President and Chief Executive Officer and the other members of the Nokia Group Leadership Team. The Board appointed, effective as of May 1, 2014 Rajeev Suri as President and Chief Executive Officer of Nokia. His rights and responsibilities include those allotted to the President under Finnish law and he also chairs the Nokia Group Leadership Team.

Subject to the requirements of Finnish law, the independent directors of the Board confirm the compensation and terms of employment of the President and Chief Executive Officer and the Board approves these based on the recommendation of the Personnel Committee. The compensation and employment conditions of the other members of the Nokia Group Leadership Team are approved by the Personnel Committee upon the recommendation of the President and Chief Executive Officer. The Board of Directors also decides on the issuance of shares to fulfill the company's obligations under equity plans in respect of vested awards to be settled.

The Board has three Committees: the Audit Committee, the Personnel Committee and the Corporate Governance and Nomination Committee. These Committees assist the Board in its duties pursuant to their respective Committee charters. The Board elects, and the independent directors of the Board confirm, the election of the members and chairmen for the Board's Committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and upon each Committee's member qualification standards. The Board may also establish ad hoc Committees for detailed reviews or consideration of particular topics to be proposed for the approval of the Board.

In line with Nokia's Corporate Governance Guidelines, the Board conducts annual performance evaluations, which also include evaluations of the Board Committees' work. In 2014, the Board conducted an evaluation process consisting of self-evaluations and peer evaluations, as well as interviews. The feedback from selected members of management was also requested as part of this evaluation process. The results of the evaluation are discussed by the entire Board.

Nokia Group Leadership Team and the President and Chief Executive Officer

At the date of this Listing Prospectus, the members of the Nokia Group Leadership Team are as follows:

Name	Position	Nokia Group Leadership Team member since
Rajeev Suri	Chairman	2014
Timo Ihamuotila	Member	2007
Samih Elhage	Member	2014
Sean Fernback	Member	2014
Ramzi Haidamus	Member	2014

Name	Title	Year of Birth	Present Principal Occupation and Five-Year Employment History
Rajeev Suri	President and Chief Executive Officer	1967	Rajeev Suri joined Nokia in 1995 and the Nokia Group Leadership Team in 2014. Mr. Suri has held numerous executive level positions in the Company, most recently as CEO of Nokia Solutions and Networks (previously Nokia Siemens Networks) from October 2009 to April 2014. Prior to joining Nokia, Mr. Suri was head of group procurement, imports and special projects, Churchgate Group, Nigeria from 1993–1995, national account manager, transmission/manager, strategic planning, ICL India (ICIM) from 1990–1993 and production engineer, Calcom Electronics in 1989. Mr. Suri holds a bachelor of engineering (electronics and communications) degree from the Manipal Institute of Technology, Karnataka, India. Mr. Suri is a citizen of Singapore.
Samih Elhage	Executive Vice President and Chief Financial and Operating Officer, Nokia Networks	1961	Samih Elhage joined Nokia Siemens Networks in 2012 and the Nokia Group Leadership Team in 2014. Mr. Elhage has been the chief financial officer of Nokia Solution and Networks since 2013 and the chief operating officer since 2012. Before joining Nokia, Mr. Elhage was a senior advisor to leading private equity and global management consulting firms from 2011–2012, president, carrier voice over IP and applications solutions (CVAS) division, Nortel from 2008–2010, leadership positions in operations, business transformation, broadband networks, optical networks, and core data networks, Nortel from 1998–2008 and held multiple leadership and management roles related to network

			development at Bell Canada from 1990–1998. Mr. Samih holds a bachelor of electrical engineering (telecommunications) from the University of Ottawa, Canada, bachelor of economics from the University of Ottawa, Canada, and a master of electrical engineering (telecommunications) from the École Polytechnique de Montréal, Canada. Mr. Elhage is a citizen of Canada.
Sean Fernback	President, HERE	1963	Sean Fernback joined Nokia and has served as President of HERE, and been a member of the Nokia Group Leadership Team, since 2014. He previously served as Senior Vice President, everyday mobility at HERE in 2014. Prior to joining Nokia, Mr. Fernback was senior vice president of engineering & product development, TomTom from 2008–2014, vice president of hardware engineering, TomTom from 2006–2007, chief technology officer, TV Compass Ltd, London from 2003–2006, acting chief technology officer, Boardbug Ltd, London in 2003, chief information officer, Pogo Technology Ltd/ Pogo Mobile Solutions Ltd, London from 2000–2003 and founder and CEO, Motionworks from 1989–2000. Mr. Fernback is currently a member of the Board of Directors of the Stiching Mapcode Foundation. Mr. Fernback holds a diploma in microelectronics engineering from the University of Hertfordshire, United Kingdom. Mr. Fernback is a citizen of the United Kingdom.
Ramzi Haidamus	President, Nokia Technologies	1964	Ramzi Haidamus joined Nokia and has served as President, Nokia Technologies, and been a member of the Nokia Group Leadership Team, since 2014. Before joining Nokia, Mr. Haidamus spent a combined 18 years at Dolby Laboratories, Inc. and Dolby Labs Licensing Corporation, and served in several executive roles, including executive vice president, marketing and business development, executive vice president, sales and marketing, senior vice president and general manager; director, business development; technology business strategist; manager, digital technologies licensing, and senior licensing engineer, between 1996–2014. Mr. Haidamus was also a design engineer at Stanford Research Systems between 1989 and 1996. Mr. Haidamus holds a bachelor of science in electrical engineering and a master of science in electrical engineering from the University of the Pacific, California. Mr. Haidamus is a United States citizen.
Timo Ihamuotila	Executive Vice President and Group Chief Financial Officer	1966	Timo Ihamuotila has served as the Group Chief Financial Officer since 2009 and as a member of the Nokia Group Leadership Team since 2007. Mr. Ihamuotila previously served as interim President of Nokia Corporation between September 2013 and April 2014. Mr. Ihamuotila first joined Nokia in 1993 and served as manager, dealing & risk management, until 1996. Between 1996 and 1999, Mr. Ihamuotila was vice president of Nordic derivative sales, Citibank plc. Mr. Ihamuotila rejoined Nokia in 1999 and served in multiple roles, including director,

corporate finance, vice president, finance, corporate treasurer, senior vice president, CDMA business unit, mobile phones, executive vice president, sales and portfolio management, mobile phones, executive vice president, sales, markets. Mr. Ihamuotila was an analyst, assets and liability management, at Kansallis Bank from 1990–1993. Mr. Ihamuotila is member of the Board of Directors of Uponor Corporation and member of the Board of Directors of Central Chamber of Commerce of Finland. Mr. Ihamuotila holds a master of science (economics) and a licentiate of science (finance) from the Helsinki School of Economics, Finland. Mr. Ihamuotila is a Finnish citizen.

The President and Chief Executive Officer plays an active role in compensation governance and performance management processes for his direct reports and the wider employee population in Nokia. The President and Chief Executive Officer is not a member of the Personnel Committee and does not vote at Personnel Committee meetings nor does he participate in any conversations regarding his own compensation.

Corporate Governance

Nokia's corporate governance practices comply with Finnish laws and regulations as well as with Nokia's Articles of Association. Nokia also complies with the Finnish Corporate Governance Code, available at www.cgfinland.fi, with the following exception in 2014:

Nokia was not in full compliance with recommendation 39 of the Finnish Corporate Governance Code, as Nokia's Restricted Share Plans did not include performance criteria but were time-based only, with a restriction period of at least three years from the grant. Restricted shares ("Nokia Restricted Shares") are granted only for exceptional retention and recruitment purposes aimed to ensure Nokia is able to retain and recruit talent vital to its future success. In the Restricted Share Plan 2014, the number of shares to be granted was reduced significantly and they are no longer granted regularly. Similarly, under the Restricted Share Plan 2015, Nokia Restricted Shares are only used on a highly limited basis and only in exceptional retention and recruitment circumstances.

Nokia complies with corporate governance standards, which are applicable due to listing of its shares on Nasdaq Helsinki. Furthermore, as a result of the listing of its shares on the NYSE and its registration under the U.S. Securities Exchange Act of 1934, Nokia must comply with the U.S. federal securities laws and regulations, including the Sarbanes-Oxley Act of 2002 as well as the requirements of the NYSE, in particular the corporate governance standards under Section 303A of the NYSE Listed Company Manual, which is available at http://nysemanual.nyse.com/lcm/. Nokia complies with these standards to the extent such provisions are applicable to foreign private issuers.

To the extent any non-domestic rules and regulations would require a violation of the laws of Finland, Nokia is obliged to comply with Finnish law and requirements. There are no significant differences in the corporate governance practices applied by Nokia compared to those applied by U.S. companies under the NYSE corporate governance standards, with the exception that Nokia complies with the requirements of Finnish law with respect to the approval of equity compensation plans. Under Finnish law, stock option plans require shareholder approval at the time of their launch. All other plans that include the delivery of company stock in the form of newly-issued shares or treasury shares require shareholder approval at the time of the delivery of the shares, unless the shareholder approval has been granted through an authorization to the Board, a maximum of five years earlier. The NYSE corporate governance standards require that the equity compensation plans be approved by a company's shareholders. Nokia aims to minimize the necessity for, or consequences of, conflicts between the laws of Finland and applicable non-domestic requirements.

The Board has also adopted Corporate Governance Guidelines to reflect Nokia's commitment to good corporate governance.

Committees

The Board has three Committees: the Audit Committee, the Personnel Committee and the Corporate Governance and Nomination Committee. These Committees assist the Board in its duties pursuant to their respective Committee charters. The Board elects, and the independent directors of the Board confirm, the election of the members and chairmen for the Board's Committees from among the Board's independent directors upon the recommendation of the Corporate Governance and Nomination Committee and upon each Committee's member qualification standards. The Board may also establish ad hoc Committees for detailed reviews or consideration of particular topics to be proposed for the approval of the Board.

The Audit Committee

The Audit Committee consists of a minimum of three members of the Board who meet all applicable independence, financial literacy and other requirements as stipulated by Finnish law and the rules of the stock exchanges where Nokia Shares are listed, i.e., Nasdaq Helsinki and the NYSE. As of May 5, 2015, the Audit Committee has consisted of the following four members of the Board: Jouko Karvinen (Chairman), Vivek Badrinath, Elizabeth Doherty and Elizabeth Nelson.

The Audit Committee is established by the Board primarily for the purpose of oversight of accounting and financial reporting processes of Nokia and the audits of its financial statements. The Committee is responsible for assisting the Board in the oversight of: (1) the quality and integrity of company's financial statements and related disclosures; (2) the statutory audit of the company's financial statements; (3) the external auditor's qualifications and independence; (4) the performance of the external auditor subject to the requirements of Finnish law; (5) the performance of the company's internal controls and risk management and assurance function; (6) the performance of the internal audit function; and (7) the company's compliance with legal and regulatory requirements, including also the performance of its ethics and compliance program. The Committee also maintains procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal controls, or auditing matters and for the confidential, anonymous submission by Nokia employees of concerns relating to accounting or auditing matters. Nokia's disclosure controls and procedures, which are reviewed by the Audit Committee and approved by the President and Chief Executive Officer and the Nokia Group Chief Financial Officer, as well as the internal controls over financial reporting, are designed to provide reasonable assurance regarding the quality and integrity of the company's financial statements and related disclosures.

Under Finnish law, an external auditor is elected by shareholders by a simple majority vote at the Annual General Meeting for one fiscal year at a time. The Audit Committee proposes to the shareholders, upon its evaluation of the qualifications and independence of the external auditor, the nominee for election or re-election. Under Finnish law, the fees of the external auditor are also approved by the shareholders by a simple majority vote at the Annual General Meeting. The Committee makes a proposal to the shareholders in respect of the fees of the external auditor, and approves the external auditor's annual audit fees under the guidance given by the Annual General Meeting. For information about the fees paid to Nokia's external auditor, PricewaterhouseCoopers, during 2014, refer to the section "—*Auditors*".

In discharging its oversight role, the Audit Committee has full access to all company books, records, facilities and personnel. The Committee may appoint counsel, auditors or other advisers in its sole discretion, and must receive appropriate funding, as determined by the Audit Committee, from Nokia for the payment of compensation to such outside advisers.

The Board has determined that all members of the Audit Committee, including its Chairman, Jouko Karvinen, are "audit committee financial experts" as defined in the requirements of Item 16A of an annual report on Form 20-F filed with the U.S. Securities and Exchange Commission. Mr. Karvinen and each of the other members of the Audit Committee are "independent directors" as provided for in the Finnish Corporate Governance Code and as defined in Section 303A.02 of the New York Stock Exchange Listed Company Manual.

The Audit Committee meets a minimum of four times a year based upon a schedule established at the first meeting following the appointment of the Committee. The Committee meets separately with the representatives of Nokia's management, heads of the internal audit and ethics and compliance functions, and the external auditor in connection with each regularly scheduled meeting. The head of the internal audit function has at all times direct access to the Audit Committee, without involvement of management.

The Audit Committee held ten meetings in 2014. The average attendance at the meetings was 98%. In addition, any director who so wishes may attend meetings of the Audit Committee as a non-voting observer.

The Personnel Committee

The Personnel Committee consists of a minimum of three members of the Board who meet all applicable independence requirements as stipulated by Finnish law and the rules of the stock exchanges where Nokia Shares are listed i.e., Nasdaq Helsinki and the NYSE. As of May 5, 2015, the Personnel Committee has consisted of the following three members of the Board: Bruce Brown (Chairman), Simon Jiang and Kari Stadigh.

The primary purpose of the Personnel Committee is to oversee the personnel related policies and practices at Nokia, as described in the Committee charter. It assists the Board in discharging its responsibilities in relation to all compensation, including equity compensation, of the company's executives and their terms of employment. The Committee has overall responsibility for evaluating, resolving and making recommendations to the Board regarding: (1) compensation of the company's top executives and their terms of employment; (2) all equity-based plans; (3) incentive compensation plans, policies and programs of the company affecting executives; and (4) other significant incentive plans. The Committee is responsible for overseeing compensation philosophy and principles and ensuring the above compensation programs are performance-based, designed to contribute to the long-term shareholder value creation and alignment to shareholders' interests, properly motivate management, and support overall corporate strategies. The Committee is responsible for the review of senior management development and succession plans.

The Personnel Committee held seven meetings in 2014. The average attendance at the meetings was 92%. In addition, any director who so wishes may attend meetings by the Personnel Committee as a non-voting observer.

As part of its responsibilities the Personnel Committee assists the Board in discharging its responsibilities relating to all compensation, including equity compensation, of the Company's executives and the terms of employment of the same, making recommendations to the Board:

- recommends to the Board the corporate goals and objectives relevant to the compensation of the President and Chief Executive Officer, and evaluates the performance of the President and Chief Executive Officer against previously established goals and objectives as well as proposes to the Board the compensation level of the President and Chief Executive Officer;
- reviews and approves changes to the peer group for assessment of the competitiveness of Nokia's compensation from time to time;
- approves and oversees recommendations from the President and Chief Executive Officer for compensation for other members of the Nokia Group Leadership Team and any other executive-level direct reports to the Chief Executive Officer;
- reviews and approves goals and objectives relevant to the compensation for other members of the Nokia Group Leadership Team and any other executive-level direct reports to the Chief Executive Officer, and reviews the results of the evaluation of their performance in relation to the approved goals and objectives;
- reviews and periodically makes recommendations to the Board regarding the operation and amendment of any long-term incentive arrangements and all equity plans; and
- reviews the content of and ensuring compliance with the share ownership policy.

The Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee consists of three to five members of the Board who meet all applicable independence requirements as stipulated by Finnish law and the rules of the stock exchanges where Nokia Shares are listed, i.e., Nasdaq Helsinki and the NYSE. As of May 5, 2015, the Corporate Governance and Nomination

Committee has consisted of the following four members of the Board: Risto Siilasmaa (Chair), Bruce Brown, Jouko Karvinen and Kari Stadigh.

The Corporate Governance and Nomination Committee's purpose is: (1) to prepare the proposals for the General Meetings in respect of the composition of the Board and the director remuneration to be approved by the shareholders; and (2) to monitor issues and practices related to corporate governance and to propose necessary actions in respect thereof.

The Committee fulfills its responsibilities by (1) actively identifying individuals qualified to be elected members of the Board as well as considering and evaluating the appropriate level and structure of director remuneration; (2) proposing the director nominees to the shareholders for election at the Annual General Meeting as well as the director remuneration; (3) monitoring significant regulatory and legal developments as well as in the practice of corporate governance and of the duties and responsibilities of directors of public companies; (4) assisting the Board and each Committee of the Board in its annual performance evaluations, including establishing criteria to be applied in connection with such evaluations; (5) developing and recommending to the Board and administering Nokia's Corporate Governance Guidelines; and (6) reviewing Nokia's disclosure in the corporate governance statement.

The Committee has the power to appoint search firms or advisers to identify appropriate candidates. The Committee may also appoint counsel or other advisers, as it deems appropriate from time to time. The Committee has the sole authority to appoint or terminate the services of such search firms or advisers and to review and approve such search firm or adviser's fees and other retention terms. It is the Committee's practice to appoint a search firm to identify new director candidates.

The Corporate Governance and Nomination Committee held six meetings in 2014. The average attendance at the meetings was 95%. In addition, any director who so wishes may attend meetings by the Corporate Governance and Nomination Committee as a non-voting observer.

Conflicts of Interests

The current members of the Board are all non-executive. For the term that started at the Annual General Meeting in 2015, all Board members were determined to be independent under the rules of the Finnish Corporate Governance Code and the NYSE.

There are no conflicts of interest between the duties of the members of Nokia's Board of Directors, the President and Chief Executive Officer of Nokia or the members of the Nokia Group Leadership Team and their private interests.

Members of Nokia's Board of Directors, the President and Chief Executive Officer of Nokia or the members of the Nokia Group Leadership Team have no family ties to each other.

None of the members of Nokia's Board of Directors or the Nokia Group Leadership Team, or the President and Chief Executive Officer of Nokia, has been convicted of any fraudulent offence, been involved in any bankruptcies, receiverships or liquidations or been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities during the past five years.

Moreover, none of the members of Nokia's Board of Directors or the Nokia Group Leadership Team, or the President and Chief Executive Officer of Nokia, has been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.

Management Remuneration and Benefits

Board of Directors

The following table sets forth the annual compensation of the members of the Board for services on the Board and its Committees, as resolved at the respective Annual General Meetings in 2015, 2014, 2013, and 2012.

Position	2015 EUR	2014 EUR	2013 EUR	2012 EUR
Chairman	440 000	440 000	440 000	440 000
Vice Chairman	150 000	150 000	150 000	150 000
Member	130 000	130 000	130 000	130 000
Chairman of Audit Committee	25 000	25 000	25 000	25 000
Member of Audit Committee	10 000	10 000	10 000	10 000
Chairman of Personnel Committee	25 000	25 000	25 000	25 000
Total[1]	**1 450 000**	**1 580 000**	**1 570 000**	**1 700 000**

[1] The changes in the aggregate Board compensation year-on-year are attributable to changes in the number of Board members and their Committee memberships. The compensation paid for services rendered remained the same over the relevant periods.

In accordance with Nokia's policy, directors' remuneration consists only of an annual fee and no additional fees are paid for meeting attendance. Approximately 40% of the directors' remuneration is paid in the form of Nokia Shares that are purchased from the market or alternatively by using treasury shares held by the company. The rest of the remuneration is paid in cash, most of which is typically used to cover taxes arising from the remuneration. In addition, directors shall retain all Nokia Shares received as director compensation until the end of their Board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). Non-executive directors do not participate in any of Nokia's equity programs and do not receive performance shares ("Nokia Performance Shares"), Nokia Restricted Shares or any other equity based or otherwise variable compensation for their duties as Board members.

The compensation of the Board is resolved annually by Nokia's shareholders at the Annual General Meeting. It is resolved by a majority vote of the shareholders represented at the Annual General Meeting, upon the proposal of the Corporate Governance and Nomination Committee of the Board. The compensation is determined as of the date of the Annual General Meeting until the close of the next Annual General Meeting.

When preparing the proposal for compensation of the Board of Directors for the Annual General Meeting, the Corporate Governance and Nomination Committee reviews and compares total compensation levels and their criteria to other global peer group companies with net sales and a complexity of business comparable to that of Nokia's. The Corporate Governance and Nomination Committee's aim is to ensure that Nokia has an efficient Board of international professionals representing a diverse mix of skills and experience. Competitive Board remuneration contributes to the achievement of this target.

The annual remuneration structure paid to the members of the Board of Directors, as decided on by the Annual General Meetings in the respective years, is as follows:

	2014		2013		2012	
	Gross annual fee[1] EUR	Shares received number	Gross annual fee[1] EUR	Shares received number	Gross annual fee[1] EUR	Shares received number
Risto Siilasmaa, Chairman from May 3, 2012[2]	440 000	31 186	440 000	77 217	440 000	70 575
Dame Marjorie Scardino, Vice Chairman until May 7, 2013	-	-	-	-	150 000	24 062
Jouko Karvinen, Vice Chairman from May 7, 2013[3]	175 000	12 403	175 000	14 374	155 000	24 860
Vivek Badrinath[4]	140 000	9 922	-	-	-	-
Bruce Brown[5]	155 000	10 986	130 000	10 678	130 000	20 850
Elisabeth Doherty[6]	140 000	9 922	140 000	11 499	-	-
Henning Kagerman[7]	-	-	155 000	12 731	155 000	24 860
Helge Lund[7]	-	-	130 000	10 678	130 000	20 850
Isabel Marey-Semper	-	-	-	-	140 000	22 454
Mårten Mickos	130 000	9 214	130 000	10 678	130 000	20 850

Elizabeth Nelson[8]	140 000	9 922	140 000	11 499	140 000	22 454
Kari Stadigh	130 000	9 214	130 000	10 678	130 000	20 850
Dennis Strigl	130 000	9 214	-	-	-	-
Simon Jiang	-	-	-	-	-	-
Total	**1 580 000**		**1 570 000**		**1 700 000**	

[1] Approximately 40% of each Board member's annual compensation is paid in Nokia Shares purchased from the market. The remaining approximately 60% is paid in cash. The Board members do not participate in any of Nokia's equity programs or receive any other form of variable compensation for their duties as Board members.
[2] Represents compensation paid for services as the Chairman of the Board. Excludes compensation paid for services as the Interim Chief Executive Officer. Refer to the section "—*President and Chief Executive Officer and the Nokia Group Leadership Team*".
[3] Consists of EUR 150 000 for service as Vice Chairman of the Board and EUR 25 000 for services as the Chairman of the Audit Committee.
[4] Consists of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.
[5] Consists of EUR 130 000 for services as a member of the Board and EUR 25 000 for service as the Chairman of the Personnel Committee.
[6] Consists of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.
[7] Served on the Board until the Annual General Meeting in 2014.
[8] Consists of EUR 130 000 for services as a member of the Board and EUR 10 000 for service as a member of the Audit Committee.

President and Chief Executive Officer and the Nokia Group Leadership Team

At the date of this Listing Prospectus, the members of the Nokia Group Leadership Team are the following:

Name	Position held in 2014	Appointment date
Rajeev Suri	President and Chief Executive Officer	May 1, 2014
Timo Ihamuotila	EVP, Group Chief Financial Officer	September 1, 2011
Samih Elhage	EVP, Chief Financial and Operating Officer, Nokia Networks	May 1, 2014
Ramzi Haidamus	President, Nokia Technologies	September 3, 2014
Sean Fernback	President, HERE	November 1, 2014

The following table reflects the cash compensation and benefits earned in 2014 and the value of long-term incentive awards made to the Nokia Group Leadership Team members serving as of the end of 2014. In addition, the table sets forth the compensation of each other individual who served as Chief Executive Officer or Chief Financial Officer at any point during the year, as well as up to two other Nokia Group Leadership Team members who would have been among the three most highly compensated had they still been serving Nokia Group Leadership Team members at year-end. In line with Nokia's overall compensation philosophy, Nokia's executives are rewarded using a mix of fixed and variable pay.

Name and principal position[1]	Year	Salary EUR	Short-term variable compen-sation[2] EUR	Stock awards[3] EUR	Option awards[3] EUR	Change in pension value and nonqualified deferred compensation earnings[4] EUR	Payments to defined contri-bution retirement plans[4] EUR	All other compen-sation EUR	Total[15] EUR
Rajeev Suri President and Chief Executive Officer	2014	932 666	1 778 105	3 759 936	0	0	686 206	168 645[5]	7 325 558
Risto Siilasmaa	2014	0	0	0	0	0	191 475	1 126 323[6]	1 317 798
Interim Chief Executive Officer, September 3, 2013 to April 30, 2014/ Current Board Chairman	2013	0	0	0	0	0	0	500 000	500 000
Timo Ihamuotila	2014	621 277	945 579	954 444	0	0	213 277	113 337[7]	2 847 914
EVP, Group	2013	578 899	628 909	1 136 530	547 748	0	152 689	314 066	3 358 841
Chief Financial Officer/Interim President,	2012	570 690	57 750	539 300	106 575	0	122 093	40 146	1 436 554

September 3, 2013 to April 30, 2014									
Samih Elhage EVP, Chief Financial and Operating Officer, Nokia Networks	2014	593 333	703 221	1 388 288	0	0	96 554[8]	154 183[8]	2 935 579
Ramzi Haidamus[9,10] President, Nokia Technologies	2014	158 998	169 490	716 220	0	0	1 663	10 796[11]	1 057 167
Sean Fernback President, HERE	2014	321 555	267 259	620 432	0	73 967	0	127 428[12]	1 410 641
Stephen Elop	2014	338 088	0	0	0	0	229 213	24 489 143[13]	25 056 444
Former President and	2013	1 105 171	769 217	5 385 660	2 197 691	0	196 992	121 765	9 776 496
Chief Executive Officer/Former EVP, Devices & Services	2012	1 079 500	0	2 631 400	497 350	0	247 303	69 395	4 524 948
Louise	2014	282 776	0	0	0	0	9 485	2 835 913[14]	3 128 174
Pentland[9, 10]	2013	441 499	476 027	905 120	427 329	0	9 324	530	2 259 829
Former EVP, Chief Legal Officer	2012	466 653	46 321	407 730	81 708	0	9 787	12 974	1 025 173

[1] The positions set forth in this table are the positions at year-end of the Nokia Group Leadership Team. For Mr. Elop and Ms. Pentland the table sets forth their positions at the time of their membership in the Nokia Group Leadership Team.

[2] Short-term variable compensation payments are part of Nokia's short-term cash incentive plan. The amount consists of the annual incentive cash payment and/or other short-term variable compensation earned and paid or payable by Nokia for the respective fiscal year.

[3] Amounts shown represent the grant date fair value of equity grants awarded for the respective fiscal year. The fair value of Nokia Stock Options equals the estimated fair value on the grant date, calculated using the Black-Scholes model. The fair value of Nokia Performance Shares and Nokia Restricted Shares equals the estimated fair value on grant date. The estimated fair value is based on the grant date market price of a Nokia Share less the present value of dividends expected to be paid during the vesting period. The value of the Nokia Performance Shares is presented on the basis of granted number of shares, which is two times the number of shares at threshold. The value of the stock awards with Nokia Performance Shares valued at maximum (four times the number of shares at threshold), for each of the named executive officers, is as follows: Mr. Suri EUR 7 519 872; Mr. Ihamuotila EUR 1 908 888; and Mr. Elhage EUR 2 776 576; Mr. Fernback EUR 986 903; and Mr. Haidamus EUR 1 432 440. A significant portion of these equity grants to the Nokia Group Leadership Team is tied to Nokia's performance and aligned with the value delivered to shareholders. Therefore, the amounts shown are not representative of the amounts that will actually be earned and paid out to each named executive officer (but rather the accounting grant date fair value of each applicable grant, which is required to be reported in the table).

[4] Pension arrangements in Finland and the United States are characterized as defined contribution pension arrangements under IAS 19, Employee Benefits. The executives based in Finland are participants in the state mandated TyEL pension arrangements. Executives in the United States participate in the plan described in footnote 10 to this table. Mr. Fernback is a participant in the Nokia Germany Defined Benefit pension plan where the pension is determined by reference to his base salary, age and years of service.

[5] All other compensation for Mr. Suri in 2014 includes: housing of EUR 62 628; home security EUR 1 080; EUR 31 576 for travel assistance; EUR 34 055 for tuition of minor children; EUR 17 038 tax services and EUR 22 268 for premiums paid under supplemental medical and disability insurance and for mobile phone and driver.

[6] All other compensation for Mr Siilasmaa represents the value of the shares bought on the open market for Mr. Siilasmaa as compensation for his achievement in his role as Interim Chief Executive Officer, the balance of which he received as shares after deducting associated taxes and social security contributions.

[7] All other compensation for Mr. Ihamuotila in 2014 includes: EUR 10 320 for car allowance; EUR 292 for security; and EUR 2 725 for premiums paid under supplemental medical and disability insurance and for mobile phone and driver. EUR 100 000 in respect of an allowance given to recognize the additional responsibilities Mr. Ihamuotila took on as of September 3, 2013 to April 30, 2014 where he acted in the role of Interim President and Chairman of the Nokia Leadership Team while also continuing to serve as Chief Financial Officer. Mr. Ihamuotila's executive agreement covered his position as Executive Vice President and Chief Financial Officer. In recognition of these additional responsibilities, Mr. Ihamuotila received a total of EUR 250 000 paid in five monthly installments of EUR 50 000 each commencing in October 2013, the balance of two payments falling into 2014. No other changes were made to his compensation as a result of his additional responsibilities as Interim President.

[8] All other compensation for Mr. Elhage in 2014 includes: EUR 140 325 for international assignment related allowances; EUR 3 750 for car allowance; EUR 4 420 tax services; EUR 5 688 for premiums paid under supplemental medical and disability insurance and mobile phone. Pension payments for Mr. Elhage include amounts paid to the company International Retirement Savings Plan in respect of his assignment to Germany and payments to the mandatory TyEL Finnish pension in respect of his service in Finland.

[9] Salaries, benefits and perquisites for Mr. Haidamus and Ms. Pentland were paid and denominated in USD. Amounts were converted using year-end 2014 USD/EUR exchange rate of 1.25. For years 2013 and 2012 disclosure, amounts were converted using the respective year-end USD/EUR exchange rates, 1.37 and 1.28, respectively.

[10] Mr. Haidamus and Ms. Pentland participated in Nokia's U.S Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer's match vests for the participants during each of the first four years of their employment. Participants earning in excess of the Internal Revenue Service (IRS) eligible earning limits may participate in the Nokia Restoration and Deferral Plan, which allows employees to defer up to 50% of their salary and 100% of their short-term cash incentive. Contributions to the Restoration and Deferral Plan are matched 100% up to 8% of eligible earnings, less contributions made to the 401(k) plan. Nokia's contributions to the plan are included under the column "all other compensation" and noted hereafter.

[11] All other compensation for Mr. Haidamus in 2014 includes: EUR 10 796 for mobility related allowances.

[12] All other compensation for Mr. Fernback in 2014 includes: EUR 2 428 for car and fuel and EUR 125 000 sign on payment in lieu of bonuses forfeited on leaving his previous employer.

[13] All other compensation for Mr. Elop in 2014 includes: housing of EUR 12 217; EUR 12 102 for tax services; home security EUR 74; and EUR 1 071 for premiums paid under supplemental medical and disability insurance and for mobile phone and driver. Severance payment in the amount of EUR 24 248 059. Payment in lieu of untaken vacation in line with local legal requirements EUR 215 620. According to the terms of the purchase agreement with Microsoft entered into in connection with the Sale of the Devices & Services Business, 30% of the total severance payment amounting to EUR 7.3 million, was borne by Nokia and the remaining 70% was borne by Microsoft.

[14] All other compensation for Ms. Pentland in 2014 includes: EUR 3 365 provided under Nokia's international assignment policy in the UK and Severance payment in the amount of EUR 2 832 548.

[15] A significant portion of equity grants presented in the table to the Nokia Group Leadership Team members are tied to the performance of the company and aligned with the value delivered to shareholders. Therefore, the amounts shown are not representative of the amounts that will actually be earned and paid out to each Nokia Group Leadership Team member (but rather the accounting grant date fair value of each applicable grant, which is required to be reported in the table). In fact, for each of the years reported, the compensation "realized" by each Nokia Group Leadership Team member is lower than the amount required to be reported in the table.

Service Contract of President and Chief Executive Officer Rajeev Suri, Effective as of May 1, 2014

Pursuant to his service contract Mr. Suri's annual base salary, which is subject to annual review by the Board of Directors and confirmation by the independent members of the Board of Directors, is EUR 1 000 000 and his incentive target under the Nokia short-term cash incentive plan is 125% of annual base salary. Mr. Suri is entitled to the customary benefits in line with Nokia's policies applicable to the senior executives, however, some of the benefits are being provided to him on a tax assisted basis. Mr. Suri is also eligible to participate in Nokia Group's long-term equity based compensation programs in accordance with Nokia policies and guidelines and as determined by the Board of Directors. Pursuant to his service contract Mr. Suri maintained his participation in the Nokia Networks Equity Incentive Plan ("EIP"), which is further detailed in the section *"—Incentive Plans*" below.

Mr. Suri's service contract may be terminated as follows:

- Termination by Nokia for reasons other than cause. In the event of a termination by Nokia for reasons other than cause, Mr. Suri is entitled to a severance payment equaling up to 18 months of compensation (including annual base salary, benefits, and target incentive), and his unvested equity awards will be forfeited;

- Termination by Nokia for cause. In the event of a termination by Nokia for cause, Mr. Suri is entitled to no additional compensation and all his unvested equity awards will be forfeited;

- Termination by Mr. Suri for any reason. Mr. Suri may terminate his service contract at any time with six months' prior notice. Nokia may choose to pay a lump sum payment in lieu of his service during the notice period or ask Mr. Suri to continue his service through all or part of this notice period. In either event, Mr. Suri is entitled to six months of compensation (including annual base salary, benefits, and target incentive), and his unvested equity awards will be forfeited;

- Termination by Mr. Suri for Nokia's material breach of the service contract. In the event that Mr. Suri terminates his service contract based on a final arbitration award demonstrating Nokia's material breach of the service contract, he is entitled to a severance payment equaling to up to 18 months of compensation (including annual base salary, benefits, and target incentive), and all his unvested equity awards will be forfeited; or

- Termination based on specified events. Mr. Suri's service contract includes special severance provisions on a termination following a change of control event. Such change of control provisions are based on a double trigger structure, which means that both a change of control event and the termination of the individual's employment within a defined period of time must take place in order for any change of control based severance payment to become payable. More specifically, if a change of control event has occurred, as defined in the service contract, and Mr. Suri's service with Nokia is terminated either by Nokia or its successor without cause, or by Mr. Suri for "good reason", in either case within 18 months from such change of control event, Mr. Suri will be entitled to a severance payment equaling up to 18 months of compensation (including annual base salary, benefits, and target incentive) and cash payment (or payments) for the pro-rated value of his outstanding unvested equity awards, including equity awards under the Nokia Networks Equity Incentive Plan, Nokia Restricted Shares, Nokia Performance Shares and options for Nokia Shares ("Nokia Stock Options") issued pursuant to Nokia Stock Option Plans 2007 and 2011 (if any), payable pursuant to the terms of the service contract. "Good reasons" referred to above include a material reduction of Mr. Suri's compensation and a material reduction of his duties and responsibilities, as defined in the service contract and as determined by the Board of Directors.

In addition, the service contract defines a specific, limited termination event that applies until June 30, 2016. Upon this event, if Mr. Suri's service with Nokia is terminated as a result of the circumstances specified in the service contract, he is entitled to, in addition to normal severance payment payable upon his termination by Nokia for reasons other than cause, to a pro rated value of unvested equity awards under the Nokia Networks Equity Incentive Plan, provided that the termination of his service takes place within six months from the defined termination event (and at or prior to June 30, 2016). Subject to this limited time treatment of unvested equity awards under the Nokia Networks Equity Incentive Plan, all of Mr. Suri's other unvested equity will be forfeited.

Mr. Suri is subject to a 12-month non-competition obligation that applies after the termination of the service contract or the date when he is released from his obligations and responsibilities, whichever occurs earlier.

Termination Benefits

Maintaining a stable and effective leadership team is considered essential for protecting and enhancing the best interests of Nokia and its shareholders. In order to encourage the continued attention, dedication and continuity of the members of the Nokia Group Leadership Team to their assigned duties without the distraction that may arise from the possibility of termination of employment as a result of a specified change of control event in Nokia, certain provisions have been made available to them.

In all cases, if an executive is dismissed for cause, no compensation will be payable and no outstanding equity will vest.

In the event of termination for any other reason than cause, where the Company pays compensation in lieu of notice period's salary, benefits and target short-term incentive amounts are taken into account. In addition, special provisions exist for the treatment of equity awards granted prior to the Sale of the Devices & Services Business for Mr. Ihamuotila in the event that Nokia terminates his service contract for reasons other than cause, death or retirement.

The Nokia Group Leadership Team members have change of control agreements with Nokia, which serve as an addendum to their service contracts. These change of control agreements are based on a double trigger structure, which means that both the change of control event and the termination of the individual's employment must take place for any change of control based severance payment to materialize. More specifically, if a change of control event, as defined in the agreement, has occurred in the company, and the individual's employment with the company is terminated either by Nokia or its successor without cause, or by the individual for "good reason" (for example, material reduction of duties and responsibilities), in either case within 18 months from such change of control event, the individual will be entitled to his or her notice period compensation (including base salary, benefits, and target incentive) and cash payment (or payments) for the pro-rated value of the individual's outstanding unvested equity, including Nokia Restricted Shares, Nokia Performance Shares, Nokia Stock Options and equity awards under Nokia Networks Equity Incentive Plan ("EIP"), payable pursuant to the terms of the agreement. The Board of Directors has the full discretion to terminate or amend the change of control agreements at any time.

In addition, in connection with the Exchange Offer, Nokia entered into personal agreements with certain senior management participants in EIP, including Samih Elhage, Executive Vice President and Chief Financial and Operating Officer of Nokia Networks, pursuant to which, if their respective employment with Nokia is terminated (other than for cause) by Nokia within 12 months of Completion of the Exchange Offer they would be entitled to, in addition to normal severance payment payable upon their termination by Nokia for reasons other than cause, to pro-rata settlement of the value of their EIP options. Further, such participants have the right to trigger termination and pro-rata settlement of their respective EIP options after the Completion of the Exchange Offer if they are offered a role within Nokia with materially less responsibility or less total target cash compensation.

Incentive Plans

Short-term Incentives

The 2014 short-term incentives for the President and Chief Executive Officer and the Nokia Group Leadership Team are based on the following measurement criteria, defined in order to reward achievement against key financial targets and the strategic objectives required to ensure that the right strategy, culture and operating model are in place to enable sustainable success for Nokia going forward.

	As a percentage of base salary			
Position	**Minimum performance**	**Target performance**	**Maximum performance**	**Measurement criteria**
President and Chief Executive Officer	0%	125%	250%	Key financial targets (including net sales, operating profit and free cash flow) and key strategic objectives focusing on the strategy, culture and infrastructure of the new Nokia operating model
Other Nokia Group Leadership Team members	0%	75-100%	150-200%	Corporate and business-specific key financial targets as appropriate for each role (including net sales, operating profit or EBITDA and free cash flow) and key strategic objectives focusing on the priorities of each of Nokia's businesses

Long-term Incentives

Nokia's long-term incentives are designed to ensure alignment with the interests of shareholders and the delivery of sustainable success at a corporate level. Long-term incentive awards were predominantly made in Nokia Performance Shares. In addition to the target level of long-term incentive awards, additional one-time performance share awards were made to Mr. Suri and Mr. Elhage.

Pension Arrangements for the Members of the Nokia Group Leadership Team

The President and Chief Executive Officer and other members of the Nokia Group Leadership Team participate in the local retirement plans applicable to employees in the country of residence. Executives based in Finland, Mr. Suri, Mr. Ihamuotila and Mr. Elhage, participate in the statutory Finnish pension system, as regulated by the Finnish Employees' Pension Act (395/2006, as amended) (the "Finnish TyEL"), which provides for a retirement benefit based on years of service and earnings according to prescribed rules. No supplemental pension arrangements are provided. Under the Finnish TyEL pension system, base pay, incentives and other taxable fringe benefits are included in the definition of earnings, while gains realized from equity are not. Retirement benefits are available from age 63 to 68, according to an increasing scale. Mr. Haidamus participates in Nokia's U.S. Retirement Savings and Investment Plan. Under this 401(k) plan, participants elect to make voluntary pre-tax contributions that are 100% matched by Nokia up to 8% of eligible earnings. 25% of the employer's match vests for the participants annually during the first four years of their employment. Mr. Fernback participates in the HERE Pension Plan that is 100% company funded. Contributions are based on pensionable earnings, the pension table and retirement age.

Management Holdings

General

With respect to the Board, approximately 40% of director compensation is paid in the form of Nokia Shares that are purchased from the market. It is also Nokia's policy that the Board members retain all Nokia Shares received as director compensation until the end of their Board membership (except for those shares needed to offset any costs relating to the acquisition of the shares, including taxes). In addition, it is Nokia's policy that non-executive members of the Board do not participate in any of Nokia's equity programs and do not receive Nokia Stock Options, Nokia Performance Shares, Nokia Restricted Shares or any other equity-based or otherwise variable compensation for their duties as Board members.

The Nokia Group Leadership Team members receive equity-based compensation primarily in the form of Nokia Performance Shares. Nokia Stock Options are no longer granted and Nokia Restricted Shares are only granted in exceptional circumstances.

Share Ownership of the Board of Directors and the Group Leadership Team

The following table sets forth information, as of October 20, 2015, concerning the beneficial ownership of Nokia Shares by:

- Each member of the Board of Directors of Nokia and members of the Nokia Group Leadership Team; and
- All members of the Board of Directors of Nokia and members of the Nokia Group Leadership Team as a group.

	Amount and Nature of Beneficial Ownership[1]			
Name of Beneficial Owner	**Nokia Shares Owned Directly or Indirectly[2]**	**Nokia Shares that Can Be Acquired[3]**	**Total Nokia Shares**	**Percent of Class[4]**
Risto Siilasmaa	992 334	N/A	992 334	*
Jouko Karvinen	72 723	N/A	72 723	*
Vivek Badrinath	19 255	N/A	19 255	*
Bruce Brown	74 847	N/A	74 847	*
Elizabeth Doherty	30 754	N/A	30 754	*
Simon Jiang	8 666	N/A	8 666	*
Elizabeth Nelson	87 308	N/A	87 308	*
Kari Stadigh	128 558	N/A	128 558	*
Rajeev Suri	29 722	N/A	29 722	*
Samih Elhage	0	N/A	0	*
Ramzi Haidamus	0	44 000	44 000	*
Sean Fernback	0	48 126	48 126	*
Timo Ihamuotila	200 055	1 095 683	1 295 738	*
All directors and executive officers as a group (16 persons)	**1 644 222**	**1 187 809**	**2 832 031**	*****

[1] Unless otherwise indicated, beneficial ownership consists of sole power to vote or direct the vote and sole power to dispose or direct the disposition of the shares listed, either individually or jointly or in common with the individual's spouse, subject to community property laws where applicable.
[2] Includes Nokia Shares held through Nokia ADSs.
[3] The shares indicated in this column represent shares underlying Nokia Stock Options granted under Nokia 2007 and 2011 stock option plans, number of units granted under Restricted Share Plans 2013, 2014 and 2015 and Nokia's estimation of the number of shares expected to vest under Performance Share Plan 2013.
[4] * less than 1%

Nokia Performance Shares and Nokia Restricted Shares of the Nokia Group Leadership Team Members

The following table provides certain information relating to Nokia Performance Shares and Nokia Restricted Shares held by the Nokia Group Leadership Team members at October 20, 2015. These entitlements were granted pursuant to the Company's Performance Share Plans 2013, 2014 and 2015 and Nokia Restricted Share Plans 2013, 2014 and 2015. All of these programs require continued employment with Nokia for the awards to vest.

	Nokia Performance Shares				Nokia Restricted Shares		
	Plan Name	Number[1]		Intrinsic value[5] (EUR) at October 20, 2015	Plan Name	Number[1]	Intrinsic value[5] (EUR) at October 20, 2015
Name		Threshold[2]	Maximum[3]				
Rajeev Suri	2014	340 020	1 360 078	-	-	-	-
	2015	198 500	794 000				
Timo Ihamuotila	2013	115 084	460 334	1 214 937[4]	2013	162 164	992 444
	2014	86 313	345 250	-		-	-
	2015	69 000	276 000				
Samih Elhage	2014	125 546	502 184	-	-	-	-
	2015	56 000	224 000				
Ramzi Haidamus	2014	57 500	230 000	-	-	-	-
	2015	60 500	242 000		2015	44 000	269 280
Sean Fernback	2014	29 500	118 000	-	2014	48 126	294 531
	2015	27 000	108 000				

[1] The number of units held under the awards made before June 30, 2014 was adjusted to reflect the impact of the special dividend paid in 2014.
[2] The threshold number will vest as Nokia Shares, subject to the pre-determined threshold performance levels being met with respect to the applicable performance criteria.
[3] The maximum number will vest as Nokia Shares, subject to the predetermined maximum performance levels being met with respect to the applicable performance criteria. The maximum number of Nokia Performance Shares equals four times the number at threshold.
[4] For the Nokia Performance Share Plan 2013, the value of Nokia Performance Shares is presented on the basis of Nokia's estimation of the number of shares expected to vest multiplied by the closing market price of a Nokia Share as stated in Note 5.
[5] The intrinsic value is based on the closing market price of a Nokia Share on Nasdaq Helsinki at October 20, 2015 of EUR 5.82.

Stock Option Ownership of the Nokia Group Leadership Team Members

The following table provides certain information relating to stock options held by the members of the Nokia Group Leadership Team at October 20, 2015. These Nokia Stock Options were issued pursuant to Nokia Stock Option Plans 2007 and 2011.

				Number[1]		Total intrinsic value (EUR)[2] at October 20, 2015	
Name	Category	Expiration date	Exercise price (EUR)	Exercisable	Unexercisable	Exercisable	Unexercisable
Timo Ihamuotila	2010 2Q	December 31, 2015	8.60	70 000	0	0	0
	2011 2Q	December 27, 2017	5.76	70 000	0	25 200	0
	2011 3Q	December 27, 2017	3.50	100 000	0	262 000	0
	2012 2Q	December 27, 2018	2.18	0	75 000	0	295 500

2013 2Q	December 27, 2019	2.45	0	370 000	0	1 357 900
2013 4Q	December 27, 2019	5.51	0	50 000	0	30 500

[1] Number of Nokia Stock Options equals the number of underlying shares represented by the option entitlement. Nokia Stock Options granted under 2007 and 2011 Stock Option Plans have different vesting schedules. The Stock Option Plan 2007 has a vesting schedule with a 25% vesting one year after grant, and quarterly vesting thereafter, each of the quarterly lots representing 6.25% of the total grant. The grants vest fully in four years. The Stock Option Plan 2011 has a vesting schedule with 50% of Nokia Stock Options vesting three years after grant and the remaining 50% vesting four years from grant.
[2] The intrinsic value of the Nokia Stock Options is based on the difference between the exercise price of the options and the closing market price of Nokia Shares on Nasdaq Helsinki at October 20, 2015 of EUR 5.82.

* For gains realized upon exercise of Nokia Stock Options for the Nokia Group Leadership Team members, refer to the tables in the section "*Shares and Share Capital—Nokia—Stock Options, Equity Compensation and Other Special Rights Entitling to Shares*".

* Although Mr. Suri and Mr. Elhage do not hold Nokia Stock Options, they hold options over shares in Nokia Solutions and Networks B.V. that were granted under the Nokia Networks Equity Incentive Plan in 2012 as further detailed in the section "*Shares and Share Capital—Nokia—Stock Options, Equity Compensation and Other Special Rights Entitling to Shares*".

Nokia Networks Equity Incentive Plan

The Nokia Networks Equity Incentive Plan was established in 2012 by the Board of Nokia Siemens Networks prior to Nokia's acquisition of full ownership of the Nokia Networks' business. Under this Plan, options over Nokia Solutions and Networks B.V. shares were granted to Mr. Suri, Mr. Elhage and approximately 65 other Nokia Networks' employees.

The options will be cash-settled at exercise, and the holder will be entitled to half of the share appreciation based on the exercise price and the estimated value of shares on the exercise date, unless an initial public offering ("IPO") has taken place, at which point the options would be converted into equity-settled options. In the unlikely event of an IPO or exit event, the holder is entitled to the full value of the share appreciation. As the likelihood of a sale or IPO has reduced, the value of any payouts under EIP is expected to be reduced by 50%.

In the event that a sale or an IPO has not occurred, the maximum total payment to Mr. Suri pursuant to the plan would be limited to EUR 10.8 million. In the unlikely event of an IPO or exit event, the value of the options could exceed this maximum.

30% of the options become exercisable on the third anniversary of the grant date with the remainder vesting on the fourth anniversary or, if earlier, all the options will vest on the occurrence of certain corporate transactions such as an IPO. If such a transaction has not taken place by the sixth anniversary of the grant date, the options will be cashed out. If an IPO has taken place, equity-settled options remain exercisable until the tenth anniversary of the grant date.

Other Arrangements

Transactions with the Nokia Group Leadership Team and the Board of Directors

No loans have been granted to the members of the Nokia Group Leadership Team and the Board of Directors in 2014, 2013 or 2012.

Terms of Termination of Employment of the President and Chief Executive Officer

The President and Chief Executive Officer, Rajeev Suri, may terminate his service contract at any time with six months' prior notice. Nokia Group may terminate his service contract for reasons other than cause at any time with an 18 months' notice period. If there is a change of control event as defined in Mr. Suri's service contract and the service contract is terminated either by Nokia Group without cause, or by him for "good reason", his outstanding unvested equity awards may vest pro rata if he is dismissed within 18 months of the change in control event. If a "limited termination event" takes place before June 30, 2016, as defined in Mr. Suri's service contract, he will be entitled to the pro-rated value of his EIP options, should his employment be terminated within six months of such an event taking place.

Termination Benefits of the Former President and Chief Executive Officer

The former President and Chief Executive Officer, Stephen Elop, received a severance payment of EUR 24.2 million consisting of a base salary and management incentive of EUR 4.1 million, and equity awards amounting to EUR 20.1 million. According to the terms of the purchase agreement with Microsoft entered into in connection with the Sale of the Devices & Services Business, 30% of the total severance payment amounting to EUR 7.3 million was borne by Nokia Group and the remaining 70% was borne by Microsoft.

Other Related Party Transactions

There have been no material transactions during the last three fiscal years to which any director, executive officer or 5% shareholder, or any relative or spouse of any of them, was a party. At the date of this Listing Prospectus, there is no significant outstanding indebtedness owed to Nokia by any director, executive officer or 5% shareholder. At the date of this Listing Prospectus, there are no material transactions with enterprises controlling, controlled by or under common control with Nokia or associates of Nokia.

Auditors

According to the Articles of Association of Nokia, the Company has one primary auditor authorized by the Finland Chamber of Commerce. The Annual General Meeting held on May 5, 2015 resolved in accordance with the proposal of the Audit Committee that PricewaterhouseCoopers Oy shall be re-elected as auditor of the Company for a term that had begun on January 1, 2015 and will end on December 31, 2015.

In accordance with the proposal of the Audit Committee, Nokia's Annual General Meeting of Shareholders held on May 5, 2015 resolved that the remuneration of the auditor will be paid based on the invoice of the auditor, in accordance with the purchase policy approved by the Audit Committee.

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

General

For information about Alcatel Lucent's Board of Directors, management and auditors in general, refer to sections "*Corporate governance*" on pages A-83 to A-120 and "*Controls and procedures, statutory auditors' fees and other matters*" on pages A-184 to A-187 of Annex A.

Alcatel Lucent's Board of Directors and Management

For information about Alcatel Lucent's Board of Directors, Chief Executive Officer and Alcatel Lucent Leadership Team, refer to sections "*Corporate governance—Chairman's corporate governance report—Management Bodies of the Company*" on pages A-84 to A-100, "*Operating and Financial Review and Prospects—Highlights of Recent Events*" on page A-427 of Annex A and "*Operating and Financial Review and Prospects—Alcatel Lucent—Recent Developments*" of this Listing Prospectus.

Since the filing of Alcatel Lucent Annual Report, the following changes have taken place in the composition of Alcatel Lucent's Board of Directors.

At Alcatel Lucent's Annual General Meeting of Shareholders held May 26, 2015, the shareholders approved the appointment of Mrs. Sylvia Summers as independent director of Alcatel Lucent for a period of three years. Mrs. Summers, born in 1953, is both a French and U.S. citizen. Mrs. Summers received a B.S. degree in electrical engineering from Ecole Polytechnique Feminine (France), an M.S. degree in electrical engineering from the University of California at Berkeley, and an M.B.A. degree from Thomson CSF (France). Mrs. Summers has worked in the high tech industry for 38 years, where she held a variety of management positions in research and development, operations, and marketing while residing both in Europe and the U.S. She has 18 years of general management experience in the technology industry having held a variety of senior positions in France in China and in the Unites States of America. Mrs. Summers has held senior positions at Bull and Thomson. Between 1999 and 2001 Mrs. Summers held several positions at Cisco and focused on growth creation, including Group Vice-President of Public Access Managed Network Services, and Vice-President of Internet Access Group. From 2003 to 2007, Mrs. Summers was also Executive Vice-President of Spansion. Mrs. Summers was most recently CEO of Trident Microsystems, where she was responsible for turning around and restructuring the company. Mrs. Summers is currently a member of the boards of Semtech Corp and Headwaters. The business address of Mrs. Summers is 19 Hernandez Avenue, Los Gatos CA 95030, USA.

On September 1, 2015, the resignation of Mr. Michel Combes from his position of CEO and Director of Alcatel Lucent became effective. As of September 1, 2015, Mr. Philippe Camus has acted as the Interim CEO of Alcatel Lucent. For more information, refer to the section "*Operating and Financial Review and Prospects—Highlights of Recent Events*" on page A-427 of Annex A.

As of September 2015, Mrs. Véronique Morali has resigned from the Board of Directors of Alcatel Lucent and all Committees of the Board of Directors.

Memberships and Partnerships

For information about the memberships and partnerships of members of Alcatel Lucent's Board of Directors and management, refer to section "*Corporate governance—Chairman's corporate governance report—Management Bodies of the Company*" on pages A-84 to A-100 of Annex A.

Corporate Governance

For information about Alcatel Lucent's corporate governance, refer to section "*Corporate governance*" on pages A-83 to A-120 of Annex A.

Committees

For information about Alcatel Lucent's committees, refer to section "*Corporate governance*" on pages A-86 and A-115 to A-119 of Annex A.

Since the filing of Alcatel Lucent Annual Report, Mrs. Sylvia Summers became a member of the Audit and Finance Committee. As of September 2015, Mrs. Véronique Morali is no longer a member of the Compensation Committee.

Conflicts of Interests

For information about the conflicts of interests of Alcatel Lucent's Board of Directors and management, refer to section "*Corporate governance—Principles of Organization of our Company's management—Principles of Corporate Governance*" on page A-105 of Annex A.

Management Remuneration and Benefits

For information about the remuneration and benefits of Alcatel Lucent's management, refer to sections "*Corporate governance—Attendance fees*" on pages A-105 to A-106, "*Regulated agreements*" on pages A-119 to A-120 and "*Compensation and long-term incentives—Status of the Executive Directors and officers*" on pages A-133 to A-146 of Annex A.

Termination Benefits

For information about the termination benefits of Alcatel Lucent's management, refer to sections "*Corporate governance—Principles of Organization of our Company's management—Principles of Corporate Governance*" on page A-106, "*Regulated agreements*" on pages A-119 to A-120 and "*Compensation and long-term incentives—Status of the Executive Directors and officers*" on pages A-133 to A-146 of Annex A.

Incentive Plans

For information about Alcatel Lucent's incentive plans, refer to section "*Compensation and long-term incentives—Long-term compensation mechanisms*" on pages A-122 to A-133 of Annex A. For more information about the effects of the Exchange Offer on Alcatel Lucent's incentive plans, refer to section "*The Exchange Offer—Treatment of Alcatel Lucent Stock Options and Alcatel Lucent Performance Shares*" in this Listing Prospectus.

Pension Arrangements for the Members of the Alcatel Lucent Leadership Team

For information about Alcatel Lucent's pension arrangements for the members of the Alcatel Lucent Leadership Team, refer to section "*Compensation and long-term incentives—Status of the Executive Directors and officers*" on pages A-133 to A-146 of Annex A.

Management Holdings

For information about the holdings of Alcatel Lucent's management as at March 13, 2015, refer to sections "*Corporate governance—Chairman's corporate governance report*" on pages A-84 to A-118 and "*Listing and shareholdings—Shareholding—Shareholding and changes in its structure*" on page A-177 of Annex A.

More recent information on holdings of Alcatel Lucent's management as a whole is not available. Mrs. Sylvia Summers, whose appointment as independent director of Alcatel Lucent was approved at Alcatel Lucent's Annual General Meeting of Shareholders held on May 26, 2015, holds 500 Alcatel Lucent ordinary shares.

Other Arrangements

For information about other arrangements in favor of Alcatel Lucent's Board of Directors, management and auditors, refer to section "*Corporate governance—Regulated agreements*" on page A-119 to A-120 of Annex A.

Auditors

For information about Alcatel Lucent's auditors, refer to sections "*Controls and procedures, statutory auditors' fees and other matters—Controls and procedures*" on pages A-184 to A-187 and "*Alcatel-Lucent consolidated financial statements at December 31, 2014—Report of Independent Registered Public Accounting Firms*" on page A-196 of Annex A.

OWNERSHIP STRUCTURE AND DILUTION OF OWNERSHIP

Nokia

A non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by Euroclear Finland Ltd.) to act as a custodial nominee account holder on its behalf. Therefore, the below tables do not include individual beneficial shareholders that own shares in Nokia through nominees. However, a shareholder is required to notify, without undue delay, a Finnish listed company and the Finnish Financial Supervisory Authority when its voting rights in, or its percentage ownership of, the total number of shares of such Finnish listed company reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 2/3 or 90%, calculated in accordance with the Finnish Securities Market Act, or when it enters into an agreement or other arrangement that, when implemented, has such effect. When a listed company has received the above-mentioned information, it must make the information public by a stock exchange release.

Nokia's registered share capital at the date of this Listing Prospectus is EUR 245 896 461.96.

The following table presents the 10 largest shareholders of Nokia that are registered in Finland and appear on Nokia's shareholder register maintained by Euroclear Finland Ltd. and their share of voting rights as at October 20, 2015. Each Nokia Share carries one vote. As of October 20, 2015, Nokia and its subsidiaries held 53 232 002 Nokia Shares, which comprise 1.45% of the total number of Nokia Shares but do not confer any voting rights due to their ownership by Nokia or its subsidiaries. Nokia Shares held by Nokia or its subsidiaries have been listed under "Treasury shares" in the table.

Shareholder	**Number of Shares**	**% of the total number of shares**	**% of voting rights[1]**
1. Varma Mutual Pension Insurance Company	80 722 106	2.19	2.23
2. Ilmarinen Mutual Pension Insurance Company	28 893 982	0.79	0.80
3. The State Pension Fund	25 600 000	0.70	0.71
4. Schweizerische Nationalbank	24 132 730	0.66	0.67
5. Elo Mutual Pension Insurance Company	15 200 000	0.41	0.42
6. Svenska Litteratursällskapet i Finland rf	14 312 880	0.39	0.39
7. Nordea Bank Finland Plc	11 536 309	0.31	0.31
8. Folketrygdfondet	11 352 542	0.31	0.31
9. Nordea Suomi Fund	10 854 000	0.30	0.30
10. Keva (Local Government Pensions Institution)	10 004 071	0.27	0.28
Treasury shares	53 232 002	1.45	0.00
Others	3 392 801 269	92.23	93.58
Total	**3 678 641 891**	**100**	**100**

[1] Treasury shares are not included in calculating voting rights.

Pursuant to the notification of Nokia under Chapter 9, Section 10 of the Finnish Securities Market Act on October 24, 2014, the holdings of BlackRock, Inc. in Nokia, through its controlled undertakings, comprising of both shares and convertible bonds issued by Nokia, amounted to a total of 187 784 314 shares, which at that time corresponded to approximately 5.01% of the total number of shares and voting rights of Nokia. To Nokia's knowledge, no other shareholder holds more than 5% of the share capital or voting rights of Nokia.

Nokia is not aware of any shareholder having a controlling interest, as referred to in Chapter 2, Section 4 of the Finnish Securities Market Act, in the Company. Following the Completion of the Exchange Offer, if Nokia owns 100% of Alcatel Lucent Securities, the breakdown of the total number of shares and voting rights of Nokia would be as follows (based on the breakdown of the total number of Nokia Shares on October 20, 2015): The information in the table has been prepared for illustrative purposes only and may or may not reflect the actual situation at or after the Completion of the Exchange Offer.

Shareholder	Number of Shares[1]	% of the total number of shares	% of voting rights[2]
1. Varma Mutual Pension Insurance Company	80 722 106[3]	1.40	1.42
2. Ilmarinen Mutual Pension Insurance Company	28 893 982[3]	0.50	0.51
3. The State Pension Fund	25 600 000[3]	0.44	0.45
4. Schweizerische Nationalbank	24 132 730[3]	0.42	0.42
5. Elo Mutual Pension Insurance Company	15 200 000[3]	0.26	0.27
6. Svenska Litteratursällskapet i Finland rf	14 312 880[3]	0.25	0.25
7. Nordea Bank Finland Plc	11 536 309[3]	0.20	0.20
8. Folketrygdfondet	11 352 542[3]	0.20	0.20
9. Nordea Suomi Fund	10 854 000[3]	0.19	0.19
10. Keva (Local Government Pensions Institution)	10 004 071[3]	0.17	0.18
Treasury shares	75 295 362[4]	1.30	0.00
Others	5 470 737 909	94.67	95.92
Total	5 778 641 891[4]	**100**	**100**

[1] In the calculation of the total number of Nokia Shares after the Exchange Offer, it has been assumed that all of the 2 100 million Offered Shares are issued in the Exchange Offer.
[2] Treasury shares are not included in the calculation of voting rights. Refer also to footnote 4.
[3] Excluding any Nokia Shares receivable in the Exchange Offer by the shareholder in consideration for the shareholder's Alcatel Lucent Securities, if any.
[4] In the calculation of the treasury shares, it has been assumed that i) the number of treasury shares held by Nokia is 53 232 002 (as of October 20, 2015) and that ii) Alcatel Lucent will tender its 40 115 200 treasury shares (as of September 30, 2015) to Nokia in the Exchange Offer, and will receive in consideration 22 063 360 Nokia Shares, resulting in a total of 75 295 362 Nokia Shares being held by Nokia as treasury shares or Nokia's subsidiary, Alcatel Lucent.

Pursuant to the notification of Nokia under Chapter 9, Section 10 of the Finnish Securities Market Act on October 24, 2014, the holdings of BlackRock, Inc., amounting to a total of 187 784 314 shares on 24 October 2014, would correspond to approximately 3.2% of the total number of shares and voting rights of Nokia (based on the breakdown of the total number of Nokia Shares on October 20, 2015), excluding any Nokia Shares receivable by Blackrock Inc. in the Exchange Offer in consideration for the Alcatel Lucent Securities held by Blackrock Inc.

After closing of the Exchange Offer and assuming that all Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any, former holders of Alcatel Lucent Securities are expected to own approximately 33.5% of the issued and outstanding Nokia Shares on a fully diluted basis.

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Breakdown of capital and voting rights in Alcatel Lucent as at June 30, 2015 is represented in the following table.

	Capital on the basis of outstanding shares at June 30, 2015			THEORETICAL voting rights on the basis of outstanding shares at June 30, 2015[2]		Voting rights EXERCISABLE AT GENERAL MEETING OF SHAREHOLDERS on the basis of outstanding shares at June 30, 2015[3]	
Shareholders	**Number of shares**	**% of capital**	**Double voting rights**	**Total number of votes**	**% of votes**	**Total number of votes**	**% of votes**
The Capital Group Companies, Inc.	281,970,300	9.95%	-	281,970,300	9.81%	281,970,300	9.95%
Odey Asset Management, LLP	139,392,500	4.92%	-	139,392,500	4.85%	139,392,500	4.92%
BlackRock Inc.	114,609,500	4.04%	-	114,609,500	3.99%	114,609,500	4.04%
Caisse des Dépôts et Consignations[1]	101,498,600	3.58%	8,243,622	109,742,222	3.82%	109,742,222	3.87%
DNCA	85,074,900	3.00%	-	85,074,900	2.96%	85,074,900	3.00%
Aviva Plc	56,354,800	1.99%	-	56,354,800	1.96%	56,354,800	1.99%
Amundi	42,737,400	1.51%	-	42,737,400	1.49%	42,737,400	1.51%
FCP 2AL	32,778,404	1.16%	32,708,499	65,486,903	2.28%	65,486,903	2.31%
Other institutional investors in France[4]	1,129,716,700	39.86%	-	1,129,716,700	39.29%	1,129,716,700	39.84%
Treasury stock held by Alcatel Lucent[5]	27,110,113	0.96%	-	27,110,113	0.94%	-	-
Treasury stock held by subsidiaries[5]	13,006,408	0.46%	-	13,006,408	0.45%	-	-
Public	810,210,667	28.58%	-	810,210,667	28.18%	810,210,667	28.58%
Total	2,834,460,292	100%	40,952,121	2,875,412,413	100%	2,835,295,892	100%

[1] Including the shares held by BPI Participations France.
[2] The theoretical voting rights include the shares held by Alcatel Lucent and its subsidiaries which do not have voting rights.
[3] The voting rights exercisable at General Meeting of Shareholders do not include shares which have no voting rights.
[4] Other institutional investors in France holding, individually, more than 0.50% of the share capital.
[5] These shares do not have voting rights pursuant to French applicable law, while held as treasury stock.

Pursuant to the notification of Alcatel Lucent and the AMF under Article L. 233-7 of the French Commercial Code:

- Odey Asset Management LLP, acting on behalf of funds it manages, declared that it crossed downward, on July 2, 2015, the 5% thresholds of the share capital and voting rights of Alcatel Lucent, and that it held, at that date, 139,392,474 Alcatel Lucent Shares representing 4.92% of the share capital and 4.84% of the voting rights of Alcatel Lucent;

- The Capital Group Companies, Inc. declared that it crossed downward, on July 8, 2015, the 10% threshold of the voting rights of Alcatel Lucent, and that it held, at that date, 285,687,380 Alcatel Lucent Shares representing 10.08% of the share capital and 9.92% of the voting rights of Alcatel Lucent;

- The Capital Group Companies, Inc. declared that it crossed downward, on July 9, 2015, the 10% threshold of the share capital of Alcatel Lucent, and that it held, at that date, 281,970,368 Alcatel Lucent Shares representing 9.95% of the share capital and 9.79% of the voting rights of Alcatel Lucent.

For further information about Alcatel Lucent's largest shareholders including the historical breakdown of capital and voting rights over the past three years as well as the ownership of certain beneficial owners, refer to the section "*Listing and shareholdings—Shareholding*" on pages A-173 to A-177 of Annex A.

SHARES AND SHARE CAPITAL

Nokia

General

Nokia is a Finnish corporation, established in 1865 and organized under the laws of the Republic of Finland. The Company's corporate name is Nokia Corporation and it is domiciled in Helsinki. Nokia is registered in the Finnish Trade Register maintained by the Finnish Patent and Registration Office, under the business identity code 0112038-9 and its registered office is located in Helsinki.

According to Article 2 of the Articles of Association of Nokia, the objective of the company is to engage in telecommunications industry and other sectors of the electronics industry as well as the related service businesses, including the development, manufacture, marketing and sales of mobile devices, other electronic products and telecommunications systems and equipment as well as related mobile, internet and network infrastructure services and other consumer and enterprise services. Nokia may also create, acquire and license intellectual property and software as well as engage in other industrial and commercial operations. Nokia may engage in securities trading and other investment and activities.

Information on Shares and Share Capital

General

Nokia has a single series of shares, and each share entitles its holder to one vote in the General Meeting of Shareholders of the Company. There are no voting restrictions related to the shares. Nokia Shares have no nominal value and are freely transferable. All Nokia Shares carry equal rights to dividends and other distributions by Nokia (including distributions of assets in the event of the liquidation of the Company).

Nokia Shares have been issued according to Finnish legislation and the shares are incorporated in the book-entry system of securities maintained by Euroclear Finland Ltd. The registered office of Euroclear Finland Ltd is located at Urho Kekkosen katu 5 C, FI-00100, Helsinki, Finland.

Nokia's registered share capital on the date of this Listing Prospectus is EUR 245 896 461.96 and the Company has 3 678 641 891 fully paid shares. The Articles of Association do not contain any provisions governing the Company's minimum and maximum share capital.

On the date of the Listing Prospectus, Nokia and its subsidiary companies own 53 232 002 Nokia Shares, representing approximately 1.45% of the total number of Nokia Shares and the total voting rights.

Historical Development of the Share Capital

There have been no changes in Nokia's share capital during the three years preceding the date of this Listing Prospectus.

Listing of Shares

Nokia Shares are subject to public trading on the Official List of Nasdaq Helsinki under the trading symbol "NOKIA" and the ISIN code of Nokia Shares is FI0009000681. The shares are quoted in Euro in Nasdaq Helsinki. Nokia ADSs are quoted on the New York Stock Exchange under trading code "NOK". Refer to the section "*Stock Market Information—Nokia*" for price development for Nokia Shares on Nasdaq Helsinki and Nokia ADSs on the NYSE.

In conjunction with the Exchange Offer, Nokia has applied for the Nokia Shares (including the Offered Shares) to be listed on Euronext Paris. Nokia expects to request that Admission be approved to take effect following the Completion of the Exchange Offer. Refer to the section *"The Exchange Offer—Certain Consequences of the Exchange Offer—Listings of the Nokia Shares"* for more information about the listing of Nokia Shares on Euronext Paris.

Authorizations

The Annual General Meeting held on May 5, 2015 authorized the Board to resolve to repurchase a maximum of 365 million Nokia Shares. The shares may be repurchased under the proposed authorization in order to optimize the capital structure of the Company, to finance or carry out acquisitions or other arrangements, to settle the Company's equity-based incentive plans, or to be transferred for other purposes. The authorization is effective until November 5, 2016 and it terminated the corresponding repurchase authorization granted by the Annual General Meeting on June 17, 2014.

The Annual General Meeting also resolved to authorize the Board to issue a maximum of 730 million shares through issuance of shares or special rights entitling to shares in one or more issues. The authorization may be used to develop the Company's capital structure, diversify the shareholder base, finance or carry out acquisitions or other arrangements, settle the Company's equity-based incentive plans, or for other purposes resolved by the Board. Under the authorization, the Board may issue new shares or shares held by the Company. The authorization includes the right for the Board to resolve on all the terms and conditions of the issuance of shares and special rights entitling to shares, including issuance of shares or special rights in deviation from the shareholders' pre-emptive rights within the limits set by law. The authorization is effective until November 5, 2016 and it terminated the corresponding authorization granted by the Annual General Meeting on June 17, 2014.

In order to settle the Exchange Offer, it is contemplated that the General Meeting of Shareholders of Nokia will resolve to authorize the Nokia Board of Directors to issue new Nokia Shares in deviation from the shareholders' pre-emptive rights as consideration to the holders of Alcatel Lucent Securities who have tendered their Alcatel Lucent Securities into the Exchange Offer, and that the Nokia Board of Directors will make a resolution to issue new Nokia Shares based on the authorization by the General Meeting of Shareholders (and register such issuance of new shares with the Finnish Trade Register on settlement).

The resolution of the Extraordinary General Meeting of Nokia's Shareholders is contemplated to be made on the following terms:

- to authorize the Nokia Board of Directors to resolve to issue, in deviation from the shareholders' pre-emptive right to subscription, in total a maximum of 2 100 million shares through the issuance of shares in one or more issues during the effective period of the authorization;

- to be effective until December 2, 2020; and

- to not terminate the authorization to issue shares and special rights entitling to shares granted by the Annual General Meeting on May 5, 2015.

Stock Options, Equity Compensation and Other Special Rights Entitling to Shares

Nokia Stock Options

Nokia has ceased the granting of Nokia Stock Options at the end of 2013, but awards under the 2007 and 2011 stock option plans remain in force.

Under the plans each stock option entitles the holder to subscribe for one new Nokia Share and the Nokia Stock Options are non-transferable and may be exercised for shares only. The difference between the two plans is in the vesting schedule as follows:

Plan	Vesting schedule
2007 Stock Option Plan	25% 12 months after grant 6.25% each quarter thereafter Term approximately 5 years
2011 Stock Option Plan	50% on third anniversary of grant 50% on fourth anniversary of grant Term approximately 6 years

The reconciliation of Nokia Stock Options outstanding and exercisable at the end of the years 2012, 2013 and 2014 is as follows:

Shares under option[1]	Number of shares	Weighted average exercise price EUR	Weighted average share price EUR	Weighted average grant date fair value EUR[2]	Number of options exercisable	Weighted average exercise price EUR
At January 1, 2012	**23 390 030**	**9.07**		**0.76**	**6 904 331**	**14.01**
Granted	10 258 400	2.32				
Exercised	(627)	0.97	2.08			
Forfeited	(4 246 222)	6.60				
Expired	(3 555 213)	15.26				
At December 31, 2012	**25 846 368**	**5.95**			**5 616 112**	**11.96**
Granted	8 334 200	2.77		1.23		
Forfeited	(3 705 512)	4.06				
Expired	(2 478 864)	14.78				
At December 31, 2013	**28 000 192**	**4.47**			**4 339 341**	**9.66**
Exercised	(56 623)	5.75	6.69			
Forfeited	(16 839 593)	3.39				
Expired	(3 759 953)	9.94				
At December 31, 2014	**7 344 023**	**4.81**			**1 913 537**	**10.43**

[1] Includes Nokia Stock Options granted under other than global equity plans, excluding the Nokia Networks equity incentive plans.
[2] Fair value of Nokia Stock Options is calculated using the Black-Scholes model.

At June 30, 2015, the number of options exercisable was 1 666 263 and the weighted average price was EUR 7.16.

Shares will be eligible for dividend for the financial year in which the share subscription takes place. Other shareholder rights will commence on the date on which the subscribed shares are entered in the Finnish Trade Register. The stock option grants are generally forfeited if the employment relationship with Nokia Group is terminated. Unvested Nokia Stock Options for employees who have transferred to Microsoft following the Sale of the Devices & Services Business have been forfeited.

The exercise price of the Nokia Stock Options has been determined at the time of grant on a quarterly basis. Under the Stock Option Plans, the exercise prices were determined in accordance with a pre-agreed schedule quarterly after the release of Nokia's periodic financial results and are, as a main rule, based on the trade volume weighted average price of a Nokia Share on Nasdaq Helsinki during the trading days of the first whole week of the second month of the respective calendar quarter (i.e., February, May, August or November). Exercise prices are determined on a one-week weighted average to mitigate any short term fluctuations in Nokia's share price. The determination of exercise price is defined in the terms and conditions of the stock option plan, which are approved by the shareholders at the respective Annual General Meeting. The Board of Directors does not have the right to amend the above-described determination of the exercise price.

Settlement of Shares under Stock Option Plans

Share subscriptions under the stock option plans are settled with interim line shares which do not form a separate share class, but are temporary instruments created as book-entries evidencing the number of subscribed new Nokia Shares. In order to enable subscribers of Nokia Stock Options trade without interruptions, the interim line shares are admitted to the main list of Nasdaq Helsinki, under a separate name ("Nokia Uudet" in Finnish, meaning "Nokia New") in the trading system. In 2015, the interim line shares have been listed since January 2, 2015 under the trading code "NOK1VM0115". The trading code changed to "NOKIAM0115" on August 10, 2015.

Interim line shares that have been issued by the stock option subscription deadline will be automatically combined with ordinary Nokia Shares on the day new shares are registered at the Finnish Trade register. New shares carry all shareholder rights after they are entered into the Finnish Trade Register and are subject to trading in Nasdaq Helsinki together with other Nokia Shares under trading code NOKIA as of the Trade Registration date.

New shares subscribed under the stock option plans after December 31, 2014, do not entitle to dividend for the fiscal year 2014. This is because shares subscribed under the stock option plans will be eligible for dividend with respect to the financial year in which the share subscription takes place.

Trade Registration Dates during 2014 and 2015

Subscription deadline	Trade registration date
Monday, September 22, 2014	Friday, September 26, 2014
Monday, October 27, 2014	Friday, October 31, 2014
Monday, November 24, 2014	Friday, November 28, 2014
Tuesday, December 23, 2014	Friday, January 2, 2015
Monday, May 4, 2015	Friday, May 8, 2015
Monday, June 1, 2015	Friday, June 5, 2015
Monday, June 29, 2015	Friday, July 3, 2015
Monday, August 3, 2015	Friday, August 7, 2015
Monday, August 31, 2015	Friday, September 4, 2015
Monday, September 28, 2015	Friday, October 2, 2015
Monday, November 2, 2015	Friday, November 6, 2015
Monday, November 30, 2015	Friday, December 4, 2015

Nokia reserves the right to change any of the trade registration dates indicated above, if necessary. Moreover, Nokia does not assume any liability for non-registrations occurring on any of the dates due to reasons beyond Nokia's control.

Equity Compensation

Nokia operates three main types of equity programs, with the common purpose of aligning the participants' interests with those of shareholders:

- Nokia Performance Shares;
- Nokia Restricted Shares; and
- Employee Share Purchase Plan.

All programs require continued employment with Nokia for the awards to vest. In line with Nokia's pay for performance philosophy, the principle equity vehicle is the Performance Share Plan, which includes defined performance conditions linked to Nokia's long-term success. In addition, Nokia has a limited number of Nokia Restricted Shares in issue which require only continued employment with Nokia.

The active equity plans in 2014 can be summarized as follows:

Details	Nokia Performance Shares	Equity Plan Nokia Restricted Shares	Employee Share Purchase Plan
Eligible employees	Grade based eligibility including Nokia Group Leadership Team members	Grade based eligibility including Nokia Group Leadership Team members	All employees in participating countries
Purpose	Annual long-term incentive awards, to reward for delivery of sustainable long-term performance, align with the interests of shareholders and aid retention of key employees	Exceptional recruitment and retention	Encourage share ownership within the Nokia employee population, increasing engagement and sense of ownership in the company
Vesting schedule	Two-year performance period and further one-year restriction period	Vest on the third anniversary of grant	Matching shares vest at the end of the 12-month savings period

Performance share grants to the President and Chief Executive Officer are approved by the Board and confirmed by the independent directors of the Board upon recommendation by the Personnel Committee.

Performance share grants to the other Nokia Group Leadership Team members and other direct reports of the President and Chief Executive Officer are approved by the Personnel Committee.

Nokia Performance Shares

The Nokia Performance Shares represent a commitment by Nokia to deliver Nokia Shares to employees at a future point in time, subject to Nokia's fulfillment of pre-defined performance criteria. The shares have a two-year performance period followed by a further one-year restriction period after which the awards vest. The following table illustrates the performance criteria of the Performance Share Plans as of 2012 through to 2014.

Performance criteria (non-IFRS)[1]	2014	2013	2012
For Nokia Group employees (excluding HERE employees)			
Average annual net sales Nokia Group	Yes	Yes[2]	Yes
Average annual EPS Nokia Group	Yes	Yes	Yes
For HERE employees[3]			
Average annual EPS Nokia Group	Yes	n/a	n/a
Average annual net sales HERE	Yes	n/a	n/a
Average annual operating profit HERE	Yes	n/a	n/a
Minimum settlement at below threshold performance[4]	25%	0%	0%

[1] Non-IFRS measures exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting-related items arising from business acquisitions.
[2] The performance condition was amended at the time of the Sale of the Devices & Services Business to reflect the new profile of the business and different annual revenue levels of the new business. The amendment introduces a metric set on the basis of the Average Net Sales Index over the two-year performance period in replacement of the metric set on the basis of the Average Annual Net Sales Revenue. The 'Net Sales Index' relates to the final non-IFRS annual net sales achieved through the business operations of Nokia Group (excluding Nokia Networks) in relation to 2013 and for Nokia Networks, HERE and Nokia Technologies in relation to 2014, expressed as a percentage of the annual target set for each year. A separate Annual Net Sales Index will be calculated for 2013 and 2014, and the average of the two will be calculated following the close of 2014 and used, in part, to determine the final payout under the Performance Share Plan, which will occur after the one-year restriction period in 2016.
[3] Specific performance criteria for HERE employees were introduced in 2014.
[4] In 2014, a minimum payout level was introduced to reinforce the retentive impact of the plan by giving some certainty to remaining employees during the transformation of Nokia following the Sale of the Devices & Services Business and integration of the Nokia Networks' business.

Until the shares have vested and been delivered to the participants, they carry no voting or dividend rights. The performance share grants are generally forfeited if the employment relationship terminates with Nokia prior to vesting.

Performance Share Plan 2015

The primary equity incentive instrument for the executives and other selected employees in 2015 will again be Nokia Performance Shares. The approximate maximum numbers of planned grants under the Nokia Performance Share Plan 2015 is 32 220 000 units. The minimum number of grant units is 8 055 000.

As in 2014, the number of shares to be settled after the restriction period will start at 25% of the grant amount and any payout beyond this will be determined with reference to the financial performance against the established performance criteria during the two-year performance period.

The Nokia Performance Share Plan 2015 has a two-year performance period (2015 through to 2016) and a subsequent one-year restriction period. Therefore, the amount of shares based on the financial performance during 2015–2016 will vest after 2017. The performance criteria and range for Nokia Group employees (excluding HERE employees) are as follows:

Performance criterion	**Weighting**	**Threshold performance**	**Maximum performance**	**Potential range of settlement**
Nokia average annual non-IFRS[1] net sales during Jan.1, 2015—Dec. 31, 2016	50%	EURm 12 389	EURm 14 736	Threshold number up to maximum level (4 x Threshold number)
Nokia average annual non-IFRS[1] EPS during Jan.1, 2015—Dec. 31, 2016	50%	EUR 0.23	EUR 0.37	Threshold number up to maximum level (4 x Threshold number)

[1] Non-IFRS measures exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting-related items arising from business acquisitions.

The performance criteria and range for HERE employees are as follows. Due to the sale of HERE that was announced on August 3, 2015, the shares achievable by HERE employees on the basis of the below performance criteria are unlikely to vest.

Performance criterion	**Weighting**	**Threshold performance**	**Maximum performance**	**Potential range of settlement**
Nokia average annual non-IFRS[1] EPS during Jan.1, 2015—Dec. 31, 2016	25%	EUR 0.23	EUR 0.37	Threshold number up to maximum level (4 x Threshold number)
HERE non-IFRS[1] average annual operating profit during Jan.1, 2015—Dec. 31, 2016	25%	EURm 66.5	EURm 172	Threshold number up to maximum level (4 x Threshold number)
HERE average annual non-IFRS[1] net sales during Jan.1, 2015—Dec. 31, 2016	50%	EURm 953.5	EURm 1 133.5	Threshold number up to maximum level (4 x Threshold number)

[1] Non-IFRS measures exclude all material special items for all periods. In addition, non-IFRS results exclude intangible asset amortization and other purchase price accounting-related items arising from business acquisitions.

Performance criteria are set with the purpose of being challenging but achievable to ensure that executives are motivated. The awards at the threshold are significantly reduced from grant level and achievement of maximum award would require performance significantly ahead of current market expectations.

Achievement of the maximum performance for all criteria would result in the vesting of a maximum of 32.2 million Nokia Shares. Achievements beyond the maximum performance level will not cause any further shares to vest. Achievement of the threshold performance for all criteria will result in the vesting of approximately 8.1 million shares which is the minimum payout under the plan. Minimum payout under the plan, even if threshold performance is not achieved, is 4.05 million shares due to the 25% minimum payout. Until Nokia Shares are delivered, the participants will not have any shareholder rights, such as voting or dividend rights associated with these Nokia Performance Shares.

Nokia Restricted Shares

In 2013 and 2014, Nokia Restricted Shares were used on a selective basis to ensure retention and recruitment of individuals deemed critical to Nokia's future success. The Nokia Restricted Shares vest on the third anniversary of the award subject to continued employment with Nokia. Until the Nokia Restricted Shares vest they carry no voting or dividend rights.

Nokia Restricted Shares under the Nokia Restricted Share Plan 2015 are being be used in an increasingly targeted way. Grants are focused on retention and recruitment of key individuals in defined locations where supported by local practice, for example in Silicon Valley and other parts of the United States where Nokia maintains a significant presence. The shares will vest in three equal tranches over three years, on the first, second and third anniversary of the award. Vesting is subject to continued employment with Nokia.

Employee Share Purchase Plan

Under the Employee Share Purchase Plan, eligible Nokia employees can elect to make monthly contributions from their salary to purchase Nokia Shares. The contribution per employee cannot exceed EUR 1 200 per year. The share purchases are made at market value on predetermined dates on a monthly basis during a 12-month savings period. Nokia will offer one matching share for every two purchased shares the employee still holds after the last monthly purchase has been made following the end of the 12-month savings period. Participation in the plan is voluntary to employees.

Other Special Rights Entitling to Shares

Convertible Bond

On October 26, 2012, Nokia Group issued a EUR 750 million convertible bond ("Convertible Bond") based on an authorization granted by the Annual General Meeting on May 6, 2010. The bonds have a five-year maturity and a 5.0% per annum coupon payable semi-annually. The current conversion price is EUR 2.39. On the date of this Listing Prospectus, EUR 0.2 million of the bond was converted into shares.

The terms of the Convertible Bond allow Nokia to redeem such bonds at any time after November 25, 2015 for cash at their principle amount, together with accrued but unpaid interest until the redemption date. The redemption is conditional on the volume weighted average price of the Nokia Shares during a specified period immediately prior to the date of the notice of redemption being equal to or exceeding 150% of the conversion price for the Convertible Bond. On October 8, 2015, Nokia announced that it had decided to exercise its option to redeem the Convertible Bond on November 26, 2015.

If the Convertible Bond is converted into Nokia Shares in its entirety, which would occur by November 17, 2015, at the current conversion price of EUR 2.39 per Nokia Share, approximately 313 723 849 Nokia Shares (assuming full conversion) would be issued. These Nokia Shares would represent approximately 5.2% of the issued and outstanding Nokia Shares after Completion of the Exchange Offer (assuming that all Alcatel Lucent Securities are tendered into the Exchange Offer or the subsequent offering period, if any).

Shareholder Rights

The following is a summary of the rights attached to Nokia Shares under the Finnish Companies Act and Nokia's Articles of Association.

Pre-emptive Rights

Under the Finnish Companies Act, existing shareholders have pre-emptive right to subscribe for new Nokia Shares. A resolution to issue new shares waiving pre-emptive rights as well as a resolution to grant option rights and other special rights entitling to Nokia Shares requires at least two-thirds of all votes cast and shares represented at a General Meeting of Shareholders. In addition, such resolution requires that there is a weighty financial reason for Nokia to do so. According to the Finnish Companies Act, a resolution on a share issue without payment waiving the shareholders' pre-emptive rights requires that there is an especially weighty reason for Nokia and in regard to the interests of all shareholders in Nokia.

General Meeting of Shareholders

Under the Finnish Companies Act, shareholders exercise their power to decide on corporate matters at General Meetings of Shareholders. Nokia's Articles of Association require that a General Meeting of Shareholders be held annually at the latest on 30 June as determined by the Board of Directors, to review the annual accounts, comprising an income statement, balance sheet, cash flow statement and the notes thereto, as well as the consolidated annual accounts, and the auditor's report. The Annual General Meeting shall also take resolutions on approval of the annual accounts, including the approval of Nokia Group annual accounts, the use of profit shown in the balance sheet, discharging the members of the Board of Directors and the President and Chief Executive Officer from liability, the number of members on the Board of Directors, and the remuneration payable to the members of the Board of Directors and to the auditor; and elect members of the Board of Directors, and the auditor.

An Extraordinary General Meeting of Shareholders shall be held whenever deemed necessary by the Board of Directors, or if an auditor or shareholder owning at least one-tenth (1/10) of all the shares so request in writing for the consideration of a specified matter.

Under Nokia's Articles of Association, a notice of a General Meeting must be published on the website of the Company no earlier than six months prior to the record date of the meeting under Chapter 4, Section 2, Subsection 2 of the Finnish Companies Act and no later than three weeks prior to the meeting, provided that the date of the publication must be at least nine days prior to the aforesaid record date.

Except for certain exceptions stipulated in the Finnish Companies Act, there are no quorum requirements for General Meetings of Shareholders.

Voting Rights

A shareholder may attend and vote at a General Meeting of Shareholders in person or by an authorized representative. Each Nokia Share entitles its holder to one vote at a General Meeting of Shareholders. If the shareholder's shares are recorded on more than one book-entry account, the shareholder has the right to use a different authorized representative for each book-entry account. The shareholder may also vote differently with a part of his owned votes provided that the shares in question have been registered on separate book-entry accounts. In order to attend and vote at a General Meeting of Shareholders, a shareholder must be registered in the shareholders' register kept by Euroclear Finland Ltd.

At the General Meeting of Shareholders, most resolutions are passed by a simple majority of the votes cast. However, certain resolutions, such as amending the Articles of Association, waiving shareholders' pre-emptive right to subscribe for shares in a new issue and resolutions on a merger, a demerger or dissolution of Nokia require at least a two-thirds majority of the votes cast and the shares represented at the meeting.

Dividend and Distribution of Other Unrestricted Equity

A General Meeting of Shareholders decides on the payment of dividend and other distribution of funds by the majority of the votes cast. Nokia Shares carry equal rights to dividends and other distributions by Nokia.

In accordance with prevailing practice in Finland, dividends on shares of a Finnish company are generally only paid annually and only after shareholder approval of Nokia's annual accounts and of the amount of the dividend proposed by the Board of Directors. However, under the Finnish Companies Act the decision on the payment of a dividend may be made, in addition to the decision made by the General Meeting of Shareholders, by the Board of Directors by virtue of an authorization given by the General Meeting of Shareholders.

Under the Finnish Companies Act companies are entitled to distribute as dividends an amount corresponding to not more than the distributable funds of the parent company, i.e., consolidated annual accounts do not limit the amount of dividends.

Under the Finnish Companies Act, shareholders' equity is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the fair value funds and the revaluation fund as well as any possible reserve fund and share premium fund formed subject to the old Finnish Companies Act effective prior to September 1, 2006. The other reserves are included in unrestricted equity. Accordingly, unrestricted equity includes the profit for the preceding financial year, retained earnings from previous financial years and Nokia's other unrestricted equity, including the funds in the invested unrestricted equity fund, less the reported losses and the amount that the Articles of Association of Nokia requires to be left undistributed, if any, and certain other undistributable funds. At the date of this Listing Prospectus, the Articles of Association of Nokia do not contain any provisions requiring a certain amount of funds to be left undistributed.

The Finnish Companies Act emphasizes the maintenance of Nokia's solvency in connection with the distribution of funds and, consequently, no funds may be distributed if, when making the decision on the distribution, the persons knew or should have known that the company was insolvent or that it would become insolvent due to the distribution of the funds.

Under the Finnish Companies Act, the amount of dividend may not exceed the amount proposed or accepted by the Board of Directors. However, shareholders holding no less than 10% of all the shares may request at the Annual General Meeting of Shareholders that the amount distributed as dividend shall be at least one-half of the profit of the parent company for the last preceding financial year, less the amount that the Articles of Association of Nokia may require to be left undistributed and the possible prior dividends paid in respect of the financial year in question. However, the dividend so paid may neither exceed the amount distributable without the creditors' consent nor 8% of the total shareholders' equity of the parent company.

Under the Finnish Companies Act, the distribution of funds is also allowed on the basis of an approved balance sheet of the parent company for a financial year which has commenced or is ongoing and thus interim dividends based on current financial year's earnings are also allowed. In addition to the provisions in the Finnish Companies Act, any essential changes in the financial condition of the company that have occurred after approval of the most recent balance sheet shall be taken into consideration when deciding on the distribution of funds.

Under the Finnish Companies Act, dividends and other distributions are paid to shareholders or their nominees entered in the shareholders' register on the relevant record date. Such register is maintained by Euroclear Finland Ltd. through the account operators. No dividends are payable to shareholders not entered in the shareholders' register.

The right to dividends is forfeited three years from when it is payable according to the decision on the dividend.

Distribution of other unrestricted equity is effected essentially in the same way as described above regarding distribution of dividend.

For information on the taxation of dividends, refer to the section "*Taxation*".

Obligation to Make a Mandatory Bid and Redemption Obligations and Rights

<u>Obligation to Make a Mandatory Bid under the Finnish Securities Market Act</u>

According to the Finnish Securities Market Act, a shareholder holding more than 30% or more than 50% of the voting rights attached to shares in a company after the shares or securities entitling to such shares of the company have entered into public trading, is obligated to make an offer for all remaining shares and securities entitling to such shares in the company at fair value (mandatory bid). According to the Finnish Securities Market Act, the obligation to launch a mandatory bid shall, however, not arise if the securities resulting in the threshold referred to above being exceeded have been acquired through a voluntary takeover bid, provided that the initial voluntary takeover bid is made for all securities entitling to shares of the target company.

Under the Finnish Companies Act, a shareholder holding shares representing more than nine tenths (9/10) of all the shares and votes in a company has the right to redeem the remaining shares in the company at fair market value (squeeze-out). In addition, a shareholder whose shares can be redeemed in the above manner is entitled to demand redemption of his/her shares from the majority shareholder entitled to exercise redemption (sell-out).

Obligation to Purchase Shares under Nokia's Articles of Association

Under article 13 of Nokia's Articles of Association, a shareholder whose holding – either alone or together with other shareholders in a way defined hereinafter – of the total shares of the Company equals or exceeds 33 1/3% or 50% ("Purchasor") shall be obliged, at the request of other shareholders ("Purchasees"), to purchase their shares and securities which entitle to shares under the Finnish Companies Act, as provided in this section.

In calculating the percentage of shares in the Company held by a shareholder, the following shares shall also be taken into account:

- shares held by a corporation which, under the Finnish Companies Act, belongs to the same group as the shareholder;

- shares held by a company which, when compiling the consolidated annual accounts according to the Accounting Act, is considered to belong to the same group as the shareholder;

- shares held by a pension fund or pension society of corporations or companies referred to above; and

- shares held by a foreign corporation or entity which - were it Finnish - would belong to the same group as the shareholder in the manner referred to above.

Where a purchase obligation is based on an aggregate shareholding, the Purchasors shall jointly and severally be obliged to purchase shares vis-à-vis Purchasees. In such a situation a claim for purchase shall be considered to be made to all Purchasors even without a separate claim to each of them.

Where two shareholders reach or exceed the threshold for the purchase obligation so that they become obliged to purchase shares simultaneously, a Purchasee may claim for purchase from both of them separately.

The purchase obligation shall not apply to shares or securities which entitle to shares which a shareholder has acquired after the arising of the purchase obligation.

Purchase Price

The purchase price of the shares shall be the higher of the following:

(a) the weighted average trading price of the shares on the Helsinki Exchanges [Nasdaq Helsinki] during the ten (10) business days prior to the day on which the company has been notified by the Purchasor that his holding has reached or exceeded the threshold referred to above or, in the absence of such notification or its failure to arrive within the specified period, the day on which the Board of Directors of the Company otherwise becomes aware of this; or

(b) the average price, weighted by the number of shares, which the Purchasor has paid for the shares he has acquired during the last 12 months preceding the date referred to in paragraph a).

If an acquisition which has an influence on the average price is denominated in a foreign currency, the euro conversion value shall be calculated according to the official rate of the European Central Bank for the currency in question seven (7) days prior to the date on which the Board notified shareholders of their right for purchase.

The above provisions on the determination of the purchase price shall also apply to other securities to be purchased.

Purchase Procedure

A Purchasor shall, within seven (7) days of the date on which the purchase obligation has arisen, notify the Board of Directors of the Company in writing at the Company's address. The notification shall contain details of the number of shares owned by the Purchasor and the number and price of the shares acquired during the last twelve (12) months. The notification shall also contain the address at which the Purchasor may be contacted.

The Board shall notify shareholders of the arising of the purchase obligation within 45 days of the receipt of the notification referred to above or, in the absence of such notification or where such notification fails to arrive within the specified period, of the date on which it otherwise became aware of such purchase obligation. The notice shall contain details of the date on which the purchase obligation has arisen, the basis for determination of the purchase price as far as known by the Board, and the date by which claims for purchase shall be made. Notice to shareholders shall be given in compliance with the provisions of Article 10 of the Articles of Association concerning notice of a General Meeting.

A Purchasee shall make a written claim for purchase within 30 days of the Board's notice of the purchase obligation. The purchase claim, which shall be sent to the Company, shall indicate the number of shares and other securities covered by the claim. A shareholder claiming for purchase shall at the same time provide the Company with possible share certificates or other documents carrying the right to shares to be transferred to the Purchasor against the payment of the purchase price.

If a claim is not made by the due date in the manner described above the shareholder shall forfeit his right to claim for purchase in the purchase situation in question. As long as purchase has not taken place a Purchasee shall have the right to withdraw his claim.

On the expiration of the period for making claims for purchase, the Company shall notify the Purchasor of the claims made. The Purchasor shall, within 14 days of receipt of the notice of the purchase claims, in the manner prescribed by the Company pay the purchase price against receipt of shares and securities carrying the right to shares or, where the shares to be purchased are entered in the book-entry accounts of the shareholders in question, against a receipt issued by the Company. In such case, the Company shall be responsible for seeing that the Purchasor is without delay registered as the owner of the shares purchased through an entry in his/her book-entry account.

A purchase price which is not paid within the specified period shall accrue default interest of 20% per annum as of the date on which the purchase should have been made. If the Purchasor has, in addition, failed to observe the above provisions concerning the purchase obligation, default interest shall be calculated as of the date on which the notification should have been made.

Other Provisions

The purchase obligation under article 13 of Nokia's Articles of Association shall not apply to a shareholder who can prove that the threshold for the purchase obligation was reached or exceeded prior to the registration of this amendment to the Articles of Association in the Finnish Trade Register.

A resolution by a General Meeting to amend or delete the provisions of this article 13 shall be carried by shareholders representing not less than three-quarters of the votes cast and shares represented at the meeting.

Disputes concerning the purchase obligation referred to above, the related right to claim for purchase and the purchase price shall be settled in arbitration proceedings in the domicile of the company, in accordance with the provisions in the Finnish Act on Arbitration Proceedings (967/1992, as amended). The arbitration proceedings shall apply Finnish law.

Proposed Amendments of Nokia's Articles of Association

On October 22, 2015, Nokia announced that the Nokia Board of Directors had resolved to convene an Extraordinary General Meeting to be held on December 2, 2015. The Board and its Corporate Governance and Nomination

Committee would propose to amend the Articles of Association of Nokia in order to enable the implementation of the changes to the composition of the Board in connection with the planned combination of Nokia and Alcatel Lucent as well as to streamline Nokia's Articles of Association.

The Board of Directors proposes that the Articles 2, 4 and 9 of the Articles of Association of Nokia be amended as follows:

Article 2 of the Articles of Association be amended to read as follows:

Article 2 - Object

The object of the company is to research, develop, manufacture, market, sell and deliver products, software and services in a wide range of consumer and business-to-business markets. These products, software and services relate to, among others, network infrastructure for telecommunication operators and other enterprises, the internet of things, human health and well-being, multi-media, big data and analytics, mobile devices and consumer wearables and other electronics. The company may also create, acquire and license intellectual property and software as well as engage in other industrial and commercial operations, including securities trading and other investment activities. The company may carry on its business operations directly, through subsidiary companies, affiliate companies and joint ventures.

Article 4 of the Articles of Association be amended to read as follows:

Article 4 - Board of Directors

The company shall have a Board of Directors comprising a minimum of seven and a maximum of twelve members. The term of a Board member shall begin at the closing of the General Meeting at which he or she was elected, or later as resolved by the General Meeting, and expire at the closing of the following Annual General Meeting. The Board of Directors shall elect its Chairman and Vice Chairman for the term of the Board of Directors, or for another term resolved by the Board of Directors. The Board of Directors shall establish its rules of procedure.

Article 9 of the Articles of Association be amended to read as follows:

Article 9 - General Meeting

The Annual General Meeting shall be held at the latest on June 30 as determined by the Board of Directors. General Meetings shall be held in Helsinki, Espoo or Vantaa.

Comparison of Rights of Holders of Nokia Shares and Alcatel Lucent Shares

The following table contains a summarized comparison of rights of holders of Nokia Shares and Alcatel Lucent Shares. The reader of this Listing Prospectus should note that this is a summary only and therefore does not contain all the information that may be important to holders of Nokia Shares and Alcatel Lucent Securities. For more complete information, refer to the respective Articles of Association of Nokia and Alcatel Lucent as well as the applicable provisions of Finnish and French law.

	Alcatel Lucent	**Nokia**
Share Capital	As of September 30, 2015, Alcatel Lucent's share capital amounts to EUR 141 949 237.50 and is divided into 2 838 984 750 shares. The shares of Alcatel Lucent have a par value of EUR 0.05.	As of the date of this Listing Prospectus, Nokia's share capital amounts to EUR 245 896 461.96 and is divided into 3 678 641 891 shares. The shares of Nokia have no par or nominal value.
Restrictions on Share Transfer	Alcatel Lucent Shares are freely transferable.	The Articles of Association of Nokia do not include clauses affecting the shareholders' right to sell their shares. The Nokia Shares are freely transferable.

Voting Rights	Each shareholder has as many votes as shares that he owns or represents at the General Meeting of Shareholders. However, double voting rights are attached to all fully paid-up, registered shares that have been registered in the name of the same holder for at least three years. Double voting rights are cancelled for any share that is converted into a bearer share or whose ownership is transferred. However, the three-year period set here above shall not be considered as interrupted, nor existing rights cancelled, where ownership is transferred, the shares remaining in registered form, as a result of intestate or testamentary succession, the division between spouses of a common estate, or donation inter vivos in favor of a spouse or heirs. The French Commercial Code provides for the maintenance of double voting rights in case of the company disappearing through a merger or demerger where the surviving or resulting company's Articles of Association also provide for such double voting rights.	Each shareholder has as many votes as shares that he owns or represents at the General Meeting of Shareholders.
Dividends, Other Distribution of Assets and Liquidation	The difference between the proceeds and the expenses of the fiscal year, after provisions, constitutes the profits or the losses for the fiscal year. From the profits, minus previous losses, if any, shall be deducted the sum of 5% in order to create the legal reserves, until such legal reserves are at least equal to 10% of the share capital. Additional contributions to the legal reserves will be required if the legal reserves fall below 10% for any reason. The distributable profits shall be the profits for the fiscal year minus the previous losses and the above-mentioned deduction plus income carried over. The General Meeting of Shareholders, on a proposal of the Board of Directors, may decide to carry over some or all of the profits, to allocate them to reserve funds of whatever kind or to distribute them to the shareholders as a dividend. Additionally, the General Meeting of Shareholders may determine the amount of the distribution of sums deducted from the optional reserves, either as initial or additional dividends or as special distribution. In this case, the decision must clearly indicate the items from which the sums are deducted. However, the	Pursuant to the Finnish Companies Act, shareholders' equity is divided into two categories: restricted equity (consisting of the share capital, fair value reserve and revaluation reserve) and unrestricted equity (consisting of other reserves as well as of the profit from the current and the previous financial periods). The company may distribute its unrestricted equity to shareholders, subject to two preconditions. First, any distribution of assets must be based on the company's latest audited and adopted financial statements, and second, assets may not be distributed if it is known or should be known at the time of the distribution decision that the company is insolvent or the distribution will cause the insolvency of the company. Distribution of restricted equity requires (in addition to the above mentioned preconditions) that the creditors of the company do not object to it, or if they do, their claims are decreed by a court to have been satisfied or otherwise secured. Consolidated accounts have no direct relevance for a distribution of assets which is resolved on the basis of the accounts of each group company separately.

dividends are deducted first from the distributable profits of the fiscal year.

The Ordinary General Meeting of Shareholders may grant each shareholder the option to receive payment of the dividend or interim dividend in cash or in shares for all or part of the dividend distributed or the interim dividend.

The General Meeting of Shareholders or, in the case of an interim dividend, the Board of Directors, fixes the date from which the dividend shall be distributed.

Under French law, there is no statutory minimal distribution rate with respect to distributable profits. However, minority shareholders can bring court action under the “majority abuse” doctrine if they can prove that a retaining of profits (generally repeated over several fiscal years) was decided for the sole benefit of majority shareholders, without justification by corporate interests.

An Extraordinary General Meeting of Shareholders may decide to initiate the liquidation of the company by a qualified majority of two-thirds of the votes cast and shares represented at the General Meeting. All shares have an equal right to the company’s assets in the company’s liquidation after the claims of the company’s creditors have been satisfied.

The profits or the losses for the financial year consist of the difference between the net sales (plus other income) and the expenses of the financial year after amortizations, depreciations, financial expenses and taxes. The distributable profits are the profits for the financial year minus the previous losses plus the profits carried over from previous financial years.

The Annual General Meeting of Shareholders, on a proposal of the Board of Directors, may decide to carry over some or all of the profits, to allocate them to reserve funds or to distribute them to the shareholders as dividend. Moreover, a General Meeting of Shareholders may also decide to distribute assets from the unrestricted equity reserves, which distribution can also be made in cash. In addition, unrestricted equity (whether profits or reserves) may be distributed through repurchase or redemption of the company’s own shares.

Dividends are generally distributed annually based on the financial statements for the previous financial year, but an interim or special dividend is also possible based on audited interim financial statements adopted by an Extraordinary General Meeting of Shareholders.

At least half of the profits for the financial year must be distributed as a so called minority dividend, if so demanded at the Annual General Meeting of Shareholders by shareholders with at least 10% of all the shares in the company before the decision on the disposition of the profits has been made. However, a shareholder may not demand distribution of profits in excess of the amount that can be distributed without the consent of the company’s creditors, nor in excess of 8% of the shareholders’ equity of the company.

Any distributions of profit during the financial year before the Annual General Meeting of Shareholders are subtracted from the amount of the minority dividend.

A General Meeting of Shareholders may decide to initiate the liquidation of the company by a qualified majority of two-thirds of the votes cast and shares represented at the General Meeting of Shareholders. All shares have an equal right to the company’s assets in the company’s liquidation after the claims of

		the company's creditors have been satisfied.
Preferential Subscription Right	Pursuant to the provisions of the French Commercial Code, shareholders have a preferential subscription right in a share capital increase in cash, in proportion to the number of the shares owned. During the subscription period, this preferential subscription right is detachable from the shares for trading purposes. Shareholders may waive their preferential rights on an individual basis. The Extraordinary General Meeting of Shareholders called to decide or authorize the share capital increase may suppress the preferential subscription right for the entirety of the share capital increase or of one or more portions of such increase. It may also reserve such a share capital increase to one or several designated persons, in which case such designated persons, if existing shareholders, shall not take part in the vote. When the Extraordinary General Meeting of Shareholders decides on the share capital increase, it votes on the reports of the Board of Directors and of the statutory auditor. When the Extraordinary General Meeting of Shareholders delegates to the Board of Directors its power to decide on the share capital increase, the Extraordinary General Meeting of Shareholders votes on the statutory auditor's report.	Pursuant to the Finnish Companies Act, shareholders have a pre-emptive right in a share issue, in proportion to the number of the shares owned. The preferential subscription right applies both to an issue of new shares and treasury shares. During the subscription period, this preferential subscription right is detachable from the shares for trading purposes. Shareholders may waive their preferential rights on an individual basis. A General Meeting of Shareholders convened to resolve on or authorize the share issue may deviate from the preferential subscription right for the entire share issue or a part thereof. Resolution on such directed share issue requires a weighty financial reason for the company and a two thirds' majority of the votes cast and shares represented at the General Meeting of Shareholders.
Ordinary and Extraordinary General Meetings of Shareholders	According to the French Commercial Code, the Ordinary General Meeting of Shareholders is called to take decisions on any matter that does not modify the Articles of Association. This meeting is held at least once each year, no later than six months after the end of the fiscal year, in part to approve the financial accounts of that fiscal year. The Ordinary General Meeting of Shareholders then determines the distributable profits of the fiscal year and notably decides the distribution of a dividend. The Ordinary General Meeting of Shareholders is also responsible for the nomination, replacement or revocation of the company's directors, approving the appointment by the Board of Directors of new directors, fixing the amount of the attendance fees of the members of the Board of Directors, approving or rejecting	Pursuant to the Finnish Companies Act, shareholders' collective decisions are taken by the Annual General Meeting of Shareholders or an Extraordinary General Meeting of Shareholders. According to the Articles of Association of the company, the Annual General Meeting of Shareholders is convened annually at the latest on June 30 to resolve on the following matters: adoption of annual accounts, disposition of profit for the financial year, discharge from liability of the Board of Directors and the President and Chief Executive Officer, number of members of the Board of Directors, election of auditor and members of the Board of Directors as well as their remuneration, and other matters included in the notice of the Annual General Meeting of Shareholders. Other matters

	the related party transaction as per Article L. 225-38 of the French Commercial Code (see below), or deciding the acquisition by the company of their own shares. In companies such as Alcatel Lucent, whose shares are traded on a regulated market, and who refer to the Afep Medef corporate governance code, the Ordinary General Meeting of Shareholders must also be consulted about the overall compensation of individual executive directors ("*say on pay*"). The Extraordinary General Meeting of Shareholders is solely responsible for any matter involving a modification of any provision of the Articles of Association. It is also solely responsible for the modification of the corporate purpose of the company, for the change of corporate name, for the relocation of registered offices (subject to the discretion, of the Board of Directors, to relocate the registered offices within the same department or in an adjacent department), for deciding the early winding up or the extension of the company, or for deciding a share capital increase or a share capital reduction. Quorum and majority rules are specified in the section "*Quorum and Vote of Shareholders*" below.	which can be resolved on either in the Annual General Meeting of Shareholders or in an Extraordinary General Meeting of Shareholders, provided that the matter has been included in the notice of the General Meeting of Shareholders, include, *inter alia*, amendments of Articles of Association, share issuances and authorizations for the Board of Directors to issue shares, issuances of stock options and other special rights entitling to shares, such as convertible bonds and instruments whose holder is entitled or obligated to subscribe for shares under the terms of the instrument, and authorizations for the Board of Directors to resolve thereon, distribution of the company's assets, repurchase and redemption of company shares and authorizations for the Board of Directors to resolve thereon, placing the company into liquidation as well as mergers and demergers. An Extraordinary General Meeting of Shareholders may also be held if an auditor or shareholders owning at least 10% of all the shares so requests in writing for the consideration of a specific matter. Provisions regarding the trade name, corporate purpose and the domicile of the company are included in the company's Articles of Association, which can only be amended by a resolution of a General Meeting of Shareholders.
Place of General Meetings of Shareholders	Pursuant to the Articles of Association of Alcatel Lucent, General Meetings of Shareholders shall take place at the registered office or at any other place, as specified in the notice of meeting.	Pursuant to the Finnish Companies Act, a General Meeting of Shareholders must take place at the domicile of the company, unless the Articles of Association of the company provide otherwise. The notice of the General Meeting of Shareholders must specify the place of the General Meeting of Shareholders. According to the Articles of Association of Nokia, the Annual General Meeting of Shareholders must take place in Finland in Helsinki or Espoo.
Convening of General Meetings of Shareholders	A notice is first published in the *Bulletin des Annonces Légales Obligatoires* (the "BALO") no later than thirty-five calendar days before the date of the General Meeting of Shareholders. Convocations are made by means of a notice published in a newspaper empowered to publish legal notices in the department of the registered offices, as	According to the Articles of Association of Nokia, a notice of a General Meeting of Shareholders must be published on Nokia's website no earlier than three months before the record date of the General Meeting of Shareholders (the eighth Finnish business day preceding the General Meeting of Shareholders) and no later than three weeks before the General

	well as in the BALO, no later than fifteen calendar days before the General Meeting of Shareholders convened on the first convocation, and, if no quorum has been reached during the meeting convened on the first convocation, no later than ten calendar days before the General Meeting of Shareholders convened on second convocation. Convocations must include mentions mandated by law. Shareholders who have held registered shares for at least a month on the date of the publication of the convocation notice must be notified individually by regular mail.	Meeting of Shareholders or nine calendar days before said record date, whichever date is earlier. Notice of a General Meeting of Shareholders must specify the name of the company, the time and place of the General Meeting of Shareholders as well as the matters to be addressed at the General Meeting of Shareholders. There are specific requirements in the Finnish Companies Act for the contents of the notice if certain matters are to be addressed, such as amendments to the Articles of Association, directed share issuances, mergers or demergers. The Finnish Corporate Governance Code, applicable to companies listed on the Nasdaq Helsinki, sets out further requirements for the contents of the notice, such as proposals made to the General Meeting of Shareholders, use of proxies, shareholders' right to request information at the General Meeting of Shareholders, total number of shares and voting rights in the company per share class, and the address of the company's website that contains the statutory information about the General Meeting of Shareholders.
Participation in General Meetings of Shareholders	A shareholder may participate in a General Meeting of Shareholders in person, by correspondence or by proxy upon presentation of proof of identity and upon proof of registration of his shareholding in the company either in the shareholders' register held by the company or in the register of bearer shares held by the authorized intermediary, by midnight (French time) on the second French business day prior to the General Meeting of Shareholders. Entry in the register of bearer shares held by the authorized intermediary shall be proved by a certificate of attestation of the shareholding to be delivered by the authorized intermediary within the time and on the terms and conditions stipulated in the governing regulations. Subject to the terms and conditions defined by regulations and the procedures defined by the Board of Directors, shareholders may participate and vote in all ordinary or Extraordinary General Meetings of Shareholders by video-conference or any	The shareholders who are registered in the shareholders' register of Nokia on the eighth Finnish business day preceding a General Meeting of Shareholders have the right to attend the General Meeting of Shareholders. This date is referred to as the record date of the General Meeting of Shareholders. In addition, a holder of a nominee-registered share may be notified for a temporary entry into the shareholder register so that the shareholder can attend the General Meeting of Shareholders, provided that the shareholder is eligible to be entered into the shareholder register on the record date of the General Meeting of Shareholders. According to the Articles of Association of Nokia, a shareholder must notify Nokia by the date stated in the notice of the General Meeting of Shareholders in order to attend the General Meeting of Shareholders. This date may not be earlier than ten calendar days prior to the General Meeting of Shareholders. As regards nominee-registered shares, a temporary entry into

	other telecommunications method that allows identification of the shareholder. Subject to the conditions defined by regulations, shareholders may send their proxy or mail voting form for any Ordinary or Extraordinary General Meeting either in paper form or, at the discretion of the Board of Directors and published in the notices of meetings, by remote transmission. The digital signature of this form must be done using a reliable identification process whereby the link between the digital form and the individual is guaranteed, which can consist of a user ID and a password or of any other link provided for by applicable regulation. In order to be considered, all necessary forms for votes by mail or by proxy must be received at the company's registered offices or at the location stated in the notice of the meeting at the latest three days before any General Meeting of Shareholders. This time limit may be shortened by decision of the Board of Directors. However, electronic forms for votes by mail may be sent to the company until the day before the General Meeting of Shareholders, no later than 3 p.m. Paris time. The meetings may be rebroadcast by video-conferencing or remote transmission. If applicable, this will be mentioned in the notice of meeting.	the shareholder register constitutes due notification of attendance. Shareholders may exercise their right to vote at a General Meeting of Shareholders either in person or by proxy. The Board of Directors may also decide to allow attendance by mail or technical means. In order to be considered, all necessary forms for votes by mail must be received at the location and by the time stated in the notice of the General Meeting of Shareholders. Proxies may be presented before or during the General Meeting of Shareholders. A General Meeting of Shareholders may be rebroadcast by video-conferencing or remote transmission.
Quorum and Vote of Shareholders	The Ordinary General Meeting of Shareholders may only validly deliberate during the first convocation if the shareholders present or represented at the meeting hold at least 20% of the shares with voting rights. No quorum is required for General Meetings of Shareholders convened on second convocation. The Ordinary General Meeting of Shareholders rules by a majority of the votes of the present or represented shareholders. The Extraordinary General Meeting of Shareholders may only validly deliberate during the first convocation if the shareholders present or represented at the meeting hold at least 25% of the shares with voting rights, and on second convocation if the shareholders present or represented at the meeting hold at least 20% of the shares with voting rights. If the	A General Meeting of Shareholders constitutes a quorum if the General Meeting of Shareholders has been convened in accordance with the Articles of Association of the company and the Finnish Companies Act. A General Meeting of Shareholders passes resolutions by a simple majority of votes cast, unless a qualified majority has been provided for in the Articles of Association or the Finnish Companies Act, in which case a qualified majority of two-thirds of votes cast and shares represented at the General Meeting of Shareholders is in most such cases required. Resolutions that require a qualified majority include amendments of the Articles of Association, directed share issuances, issuances of options or other special rights entitling to shares, repurchase and redemption of the

	last quorum is not reached, this second Extraordinary General Meeting of Shareholders may be postponed to a date up to two months after the date it was first called. For this postponed second Extraordinary General Meeting of Shareholders, a quorum of at least 20% of the shares with voting rights is also required. The Extraordinary General Meeting of Shareholders rules by the two-thirds majority of the voting rights held by the present or represented shareholders.	company's own shares, directed repurchase of the company's own shares, mergers, demergers and placing the company into liquidation. Some resolutions require the consent of all affected shareholders. Such resolutions are amendments of the Articles of Association that reduce the shareholder's right to the profit or the net assets of the company, increase the shareholder's liability for payments to the company, incorporate a redemption clause or a consent clause into the Articles of Association, restrict the shareholder's right to shares, restrict the right to minority dividend, attach a redemption term to the shareholder's shares, restrict the company's right to damages, or alter the balance between the rights carried by shares in the same share class and the change affects the shareholder's shares. In addition, redemption of the company's own shares in proportion other than that of the shares held by the shareholders requires the consent of all shareholders.
Draft Resolutions Submitted by Shareholders	Pursuant to the provisions of the French Commercial Code, one or more shareholders representing a portion of the share capital calculated according to a declining percentage (4% for the first EUR 750 000 of the share capital, 2.50% for the portion of the share capital comprised between EUR 750 000 and EUR 7 500 000, 1% for the portion of the share capital comprised between EUR 7 500 000 and EUR 15 000 000, and 0.50% for the remainder of the share capital) or a shareholders association have the ability to request the addition of new items or draft resolutions to the meeting's agenda.	Pursuant to the Finnish Companies Act, a shareholder has the right to have a matter addressed by the General Meeting of Shareholders, if he or she so requests in writing from the Board of Directors sufficiently in advance for the matter to be included in the notice of the General Meeting of Shareholders. In listed companies, such as Nokia, the request is always considered to have been made sufficiently in advance if the Board of Directors receives the request no later than four weeks before the notice of the General Meeting of Shareholders is sent.
Right for Shareholders to Address Written Questions	Prior to any General Meeting of Shareholders, and with no condition of minimum share capital holding, any shareholder has the right to ask written questions which the Board of Directors is obliged to answer during the General Meeting of Shareholders. A joint response can be provided to these questions as long as they have the same substance. The answer to a written question is deemed given when it is published on the internet website of the company under the heading "Questions & Answers".	If so requested by a shareholder at a General Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer must provide more detailed information on circumstances and matters that may affect the evaluation of a matter addressed at the General Meeting of Shareholders. If the General Meeting of Shareholders addresses the financial statements, this obligation applies also to more general information on the financial position of the company, including the relationship of the company with another corporation or foundation in the same group. However,

	Furthermore, shareholders holding at least 5% of the share capital or a group of shareholders meeting certain conditions may ask the Chairman of the Board of Directors, twice each fiscal year, written questions concerning any matter likely to jeopardize the continued operation of the company. The answers to those questions are communicated to the statutory auditor.	the information may not be provided if it would cause essential harm to the company. If the question of a shareholder can only be answered on the basis of information not available at the General Meeting of Shareholders and does not cause essential harm to the company, the answer must be provided in writing within two weeks. The answer must be delivered to the shareholder asking the question and to other shareholders requesting an answer to the question.
Composition of Board	The General Meeting of Shareholders determines the number of members of the Board of Directors. The company shall be managed by a Board of Directors consisting of no less than six and no more than fourteen members. At the date hereof, Alcatel Lucent's Board of Directors comprises eleven members.	According to the Articles of Association of Nokia, the company has a Board of Directors comprising a minimum of seven and a maximum of twelve members who are elected at the Annual General Meeting of Shareholders. At the date hereof, Nokia's Board of Directors comprises eight members.
Appointment, term and age limit of Directors	The General Meeting of Shareholders elects directors for a period of three years. On occasion, the General Meeting of Shareholders may appoint a director for a period of one or two years in order to stagger the directors' terms of office. Outgoing directors shall be eligible for re-election, subject to the provisions below. A director appointed to replace another director shall hold office only for the remainder of his predecessor's term of office. The maximum age for holding a directorship is 70. This age limit does not apply if less than one third, rounded up to the nearest whole number, of serving directors have reached the age of 70. No director over 70 may be appointed if, as a result, more than one third of the serving directors, rounded up as defined above, are over 70. If, for any reason whatsoever, the number of serving directors over 70 should exceed one third as defined above, the oldest director(s) shall automatically be deemed to have retired at the Ordinary General Meeting of Shareholders called to approve the accounts of the fiscal year in which the proportion of directors over 70 years was exceeded, unless the proportion was reestablished in the interim.	According to the Articles of Association of Nokia, the term of a member of the Board of Directors begins from the Annual General Meeting of Shareholders at which the member is elected and expires at the closing of the following Annual General Meeting of Shareholders. Persons under the age of 18, under guardianship, with restricted legal competence, or placed in bankruptcy cannot act as members of the Board of Directors. The Board of Directors of Nokia has established a guideline retirement age of 70 years for the members of the Board of Directors and the Corporate Governance and Nomination Committee will not without specific reason propose re-election of a person who has reached 70 years of age.

Removal of Directors	Pursuant to the French Commercial Code, each director is removable at any time and without cause on a vote of the General Meeting of Shareholders by a simple majority of the present or represented shareholders.	Pursuant to the Finnish Companies Act, any member of the Board of Directors may be removed ahead of term by a General Meeting of Shareholders with a simple majority of the votes cast. Removal does not require a specific reason or cause.
Filling of Board Vacancies	If there is a mid-term vacancy in the Board of Directors, or if a director loses his or her eligibility to serve in the Board of Directors, then: • in case the number of directors becomes lower than the minimum legally required (three directors), the other directors must ensure that one or more successor directors are appointed for the remainder of the term. This requires convening a General Meeting of Shareholders to elect one or more new directors to the board to fill in the vacancy; • in case the number of directors becomes lower than the minimum number required under the company's Articles of Association (six directors), without being lower than the minimum legally required, the other directors must co-opt within three months of the vacancy, one or more new directors whose co-optation shall be confirmed by the next shareholders' general meeting; • in case the number of directors remains higher than the legally required number and the minimum required under the company's Articles of Association, and if the vacancy is due to the death or resignation of one or more directors, the other directors can co-opt one or more new directors whose co-optation shall be confirmed by the next shareholders' general meeting.	Pursuant to the Finnish Companies Act, if there is a mid-term vacancy in the Board of Directors, or if a member of the Board of Directors loses his or her eligibility to serve in the Board of Directors, and if there are no deputy members of the Board of Directors, the other members must ensure that a successor member is appointed for the remainder of the term. This requires assessing potential candidates and convening a General Meeting of Shareholders to elect one or more new members to the Board of Directors to fill the vacancy. If, however, the Board of Directors continues to constitute a quorum despite the vacancy, the election may be postponed until the next General Meeting of Shareholders.
Board Observers ("Censeurs")	On proposal of the Chairman, the Board of Directors must propose to the General Meeting of Shareholders the appointment of two board observers who shall be, at the time of their appointment, both salaried employees of the company or of an	Nokia does not have a provision for board observers.

	affiliate and members of a mutual fund formed as a result of a company shareholding scheme in which the company or an affiliate is a participant and having at least 75% of its portfolio in company shares. The board observers shall be called to the meetings of the Board of Directors and shall participate in a consultative capacity. The board observers are elected for a period of three years. On occasion, the General Meeting of Shareholders may appoint a board observer for a period of two years in order to stagger the board observers' terms of office. Outgoing board observers shall be eligible for re-election. On the Chairman's proposal, the Board of Directors can propose at the annual General Meeting of Shareholders the appointment of one or more board observers who do not meet the above requirements, among the shareholders or not, but that total number of Board of Directors observers shall not exceed six. At the date hereof, the Alcatel Lucent's Board of Directors includes two board observers.	
Powers of the Board	Pursuant to the French Commercial Code, the Board of Directors shall determine the business strategies of the company and shall ensure their implementation. Subject to the matters expressly reserved for the shareholders, and within the limits of the corporate purpose, the Board of Directors shall deal with any question that affects the company's operations and govern the affairs of the company through its deliberations. The Board of Directors carries out all verifications that it considers useful. The Chairman of the Board of Directors or the Chief Executive Officer of the company shall communicate to each member of the Board of Directors all documents and information required to fulfill his/her duties. The Board of Directors may vote on the matter of whether management of the company shall be performed by the Chief Executive Officer or the Chairman of the Board of Directors only if at least two-thirds of its current members are present. In its relationships with third parties, the company is bound by Board of Directors	Pursuant to the Finnish Companies Act, the Board of Directors is responsible for the management and the proper arrangement of the company's operations. The Board of Directors is also responsible for supervising the company's bookkeeping and financial matters. According to Nokia's Articles of Association, the Chairman of the Board of Directors alone or two members of the Board of Directors jointly are authorized to represent the company. The Board of Directors has a general competence on the matters of the company. Thus, all matters, which under the Finnish Companies Act and the Articles of Association have not been placed in the competence of the General Meeting of Shareholders, are within the competence of the Board of Directors. If a President and Chief Executive Officer has been appointed, the management of the company is divided between him or her and the Board of Directors, the President and Chief Executive Officer being responsible for the executive management of the company's day-to-day operations.

	actions that do not fall under the corporate purpose of the company, unless the company proves that the third parties knew, or could not ignore due to the circumstances, that such action exceeded such corporate purpose, it being specified that the mere publication of the Articles of Association is not sufficient to constitute such proof.	Actions of the President and Chief Executive Officer are supervised by the Board of Directors. In its relationships with third parties, the company may be bound even by such actions of the Board of Directors that do not fall under the corporate purpose specified in the Articles of Association, unless proven that the third parties knew, or should have known at the time, that such action exceeded the corporate purpose. Mere publication of the Articles of Association is not sufficient to constitute such proof.
Chairman of the Board	The Board of Directors shall appoint a Chairman for a term not to exceed the term of his or her position as a director. The Chairman of the Board of Directors shall ensure the proper functioning of the company's governing bodies. He or she convenes the Board of Directors, chairs meetings of the Board, organizes the work of the Board, and ensures that the directors are able to fulfill their mission. The Chairman is required to sign minutes of the Board of Directors if acting as the Chairman of the meeting. In the event of a tie, neither the Chairman nor any director acting as Chairman shall have casting vote. At the date hereof, the Chairman of the Alcatel Lucent Board of Directors is Philippe Camus.	According to the Articles of Association of Nokia, the Board of Directors shall elect its Chairman and Vice Chairman upon the recommendation by the Corporate Governance and Nomination Committee. The Board of Directors convenes at the request of its Chairman. Under the Finnish Companies Act, the Chairman is required to ensure that the Board of Directors is convened when needed. The Chairman is also required to sign minutes of the Board of Directors if acting as the Chairman of the meeting and, in the case of a tied vote, the position supported by the Chairman prevails. At the date hereof, the Chairman of the Board of Directors of Nokia is Risto Siilasmaa.
Liability of Directors	Directors are liable, individually or jointly and severally as the case may be, to the company or to third parties, either for breaches of the provisions of the applicable legislation or regulation, or breaches of the provisions of the Articles of Association, or for mismanagement of the company. Directors are only liable to the company for personal negligence in the performance of their duties. They may be personally liable to third parties only for violations that are detachable from their duties. They shall incur no liability for acts of management or the results thereof. Criminal liability of directors is provided for by Articles L. 242-1 to L. 242-8 of the French Commercial Code. Criminal liability of directors may be incurred by a breach of certain provisions of the French Commercial Code or for a breach of certain other legislations and regulations,	Under the Finnish Companies Act, directors are liable, individually or jointly and severally as the case may be, to the company or to third parties, either for breaches of the provisions of the applicable legislation or regulation, or for violating the general duty of care under the Finnish Companies Act, or for breaches of the provisions of the Articles of Association. Each member of the Board of Directors and the President and Chief Executive Officer are liable for any loss caused intentionally or negligently to the company while performing their duties. Such liability for damages may be imputed to members of the Board of Directors and the President and Chief Executive Officer irrespective of whether a specific legal provision or a company rule has been violated. Thus, it is sufficient that the director or officer have acted against his or

	including the provisions of the French labor code and the provisions of securities law, as well as certain regulation applicable to the activities of the company.	her general duty of care under the Finnish Companies Act. The liability of a member of the Board of Directors and the President and Chief Executive Officer for loss caused to shareholders or third parties is conditioned upon a violation of the specific provisions of the Finnish Companies Act or the company's Articles of Association. A breach of the general duty of care is insufficient. The shareholders, the Chairman of the General Meeting of Shareholders or the company's auditor may also be liable for loss caused to the company, other shareholders or third parties through a violation of the provisions of the Finnish Companies Act or the company's Articles of Association. Liability of directors based on the Finnish Companies Act does not exclude liability based on other grounds, such as contractual liability or liability based on breaches of other laws such as environmental legislation or securities legislation. Furthermore, individual members of the Board of Directors may become personally liable for loss caused by acts or omissions that are held to constitute a criminal offence under the Finnish Penal Code.
Director and Officer Remuneration and Indemnification	The General Meeting of Shareholders may grant the directors, as remuneration for their activities, a fixed annual amount in attendance fees, as determined by the General Meeting of Shareholders. The apportionment of that sum among directors is determined by the Board of Directors. In addition, the Board of Directors may grant the directors, as exceptional remuneration for special assignments or duties entrusted to them, subject to the related party transaction regulation. The Board of Directors determines the remuneration granted to the Chairman of the Board of Directors (aside from his share of attendance fees granted as remuneration for his director duties), the Chief Executive Officer or the Senior Executive Vice-Presidents, whose remuneration may be fixed and/or variable.	The Annual General Meeting of Shareholders may grant the members of the Board of Directors remuneration for their activities, in addition to which attendance fees and compensation for membership in board committees may be granted. In accordance with Nokia's policy, no additional fees are paid for meeting attendance, and part of the Board of Directors' remuneration is paid in Nokia Shares. The Board of Directors determines the remuneration granted to the President and Chief Executive Officer, and the Personnel Committee of the Board of Directors determines the remuneration for the direct reports of the President and the Chief Executive Officer (beyond certain level). Typically, the base remuneration is fixed, in addition to which incentive-based compensation and equity compensation can be paid.

		Pursuant to the Finnish Companies Act, it is only possible to limit the company's right to claim damages from, *inter alia*, the members of the Board of Directors by amending the company's Articles of Association, which is subject to the unanimous approval of all shareholders. Furthermore, it is not possible to limit the company's right to claim damages to the extent that such loss or damage has been caused either due to a breach of the mandatory provisions of the Finnish Companies Act or through willful act or grossly negligent behavior. Nokia's Articles of Association do not include any provisions limiting the company's right to claim damages. It is, however, possible for a Finnish company to indemnify individual members of its Board of Directors and officers against claims for damages made by shareholders or third parties through individual indemnity undertakings. The exact scope of such indemnity undertakings under Finnish law is not clear, but they cannot be used to limit the company's right to claim damages from the members of its Board of Directors or the managing director.
Board Quorum and Voting Requirements	Pursuant to Article L. 225-37 of the French Commercial Code, the Board of Directors has a quorum when at least half of its members are present to the meeting. Decisions are taken by the simple majority of the votes of the present or represented members. With the exception of the Board of Directors' decision with respect to the management method of the company, decisions are made under quorum and voting requirements provided by the law. Except for deliberations relating to the approval of the financial accounts, consolidated annual accounts and annual reports, directors attending the board meeting by means of video-conference and/or by remote transmission means will be considered present for quorum and majority calculation purposes, as long as those means allow their identification and guarantee their effective participation to the meeting.	The Board of Directors has a quorum when more than half of the members of the Board of Directors are present. The proportion is calculated on the basis of the number of members who have been appointed. No decision may be made unless all members of the Board of Directors have been reserved the opportunity, to the extent possible, to participate in the consideration of the matter, meaning in practice that the notice of the meeting of the Board of Directors must be delivered to all members of the Board of Directors sufficiently well in advance of the meeting. The opinion of the majority constitutes the decision of the Board of Directors. In the event of a tied vote, the Chairman of the Board of Directors has the deciding vote. The Board of Directors may pass written resolutions without convening a meeting, subject to the prerequisites set out in the immediately preceding paragraph.

Executive Directors

According to the French Commercial Code and the Articles of Association of Alcatel Lucent, the Board of Directors may decide that the Chairman will also serve as the Chief Executive Officer of the company.

If the Board of Directors does not appoint the Chairman to address the general management of the company as Chief Executive Officer, the Board of Directors shall appoint, by a simple majority vote of the directors present or represented, a Chief Executive Officer for a term to be determined by the Board of Directors at the time of such appointment. If the Chief Executive Officer is a member of the Board of Directors, such term shall not exceed the term of his/her position as a director.

The Chief Executive Officer is invested with the fullest power to act in all circumstances on the company's behalf, subject to the limits of the corporate purpose, the powers expressly vested in the General Meeting of Shareholders and in the Board of Directors, and the decisions subject to the prior approval of the Board of Directors according to the company's board operating rules. The Chief Executive Officer shall represent the company in its dealings with third parties. He or she shall represent the company in the courts.

On the proposal of the Chief Executive Officer, the Board of Directors may authorize one or more persons to assist him, who shall have the title of Senior Executive Vice-President. A maximum of five Senior Executive Vice-Presidents may be appointed. The scope and duration of the powers delegated to a Senior Executive Vice-President shall be determined by the Board of Directors in agreement with the Chief Executive Officer. Senior Executive Vice-Presidents have the same authority as the Chief Executive Officer with respect to third parties.

The Chief Executive Officer and the Senior Executive Vice-Presidents may carry out their duties for a term to be determined by the Board of Directors. If the Chief Executive Officer or Senior Executive Vice-Presidents are members of the Board of Directors, such term shall not exceed the term of their position as directors, or, in any event, the date of the Ordinary General Meeting of Shareholders

As of the date hereof, each member of the Board of Directors of Nokia is a non-executive director.

According to the Articles of Association of Nokia, the Board of Directors elects the President who may also serve as the Chief Executive Officer of the company.

The President and Chief Executive Officer is responsible for the executive management of the company's day-to-day operations in accordance with the instructions of the Board of Directors. Additionally, the President and Chief Executive Officer may undertake actions that are exceptional or far-reaching if specifically authorized to do so by the Board of Directors or on the condition that a delay in carrying out such actions may result in material damage to the company's operations.

The President and Chief Executive Officer has the right to be present at the meetings of the Board of Directors and to speak there even if the President and Chief Executive Officer is not a member of the Board of Directors, insofar as the Board of Directors does not decide otherwise.

In accordance with the Articles of Association of Nokia, the current President and Chief Executive Officer has been authorized by the Nokia Board of Directors to represent Nokia alone.

At the date hereof, the function of the President and Chief Executive Officer is held by Rajeev Suri, who is not a member of the Board of Directors of the company.

According to the Articles of Association of Nokia, Nokia has a Group Leadership Team which is responsible for the operative management of the company. The number of members on the Nokia Group Leadership Team is approved by the Board of Directors. The Chairman and the members of the Nokia Group Leadership Team are appointed by the Board of Directors.

	called to approve the financial accounts of the fiscal year during which such individual will turn 68 years old. Since September 1, 2015 and for the duration of the transitional period, Mr. Philippe Camus will serve as interim Chief Executive Officer. At its meeting of July 29, 2015, the Board of Directors accepted the resignation of Mr. Michel Combes from his position of Chief Executive Officer and Director of Alcatel Lucent, effective on September 1, 2015. The directors agreed that gathering the functions of Chairman and Chief Executive Officer as from that date would be a more appropriate governance given the circumstances. They thus appointed, for the duration of the transition period, Mr. Philippe Camus, at that time Chairman of the Board of Alcatel Lucent, as Chairman and Interim Chief Executive Officer, effective on September 1, 2015.	
Dissenters' or Appraisal Rights	Under French law, shareholders do not have any dissenters' rights or any appraisal rights.	Under the Finnish Companies Act, shareholders and holders of options or other special rights entitling the holders to shares of a merging company who object to the merger have the right, under certain circumstances, to have their shares, options or other special rights redeemed for cash at fair market value by the acquiring company. Unless agreed between the parties, the fair market value is determined through arbitration proceedings mandated by the Finnish Companies Act. In the case of a demerger into a pre-existing company, the shareholders, holders of options or other special rights entitling the holders to shares of a demerging company who object to the demerger have the right, under certain circumstances, to have their demerger consideration (i.e., the consideration payable by the pre-existing acquiring company) redeemed for cash at fair market value by the acquiring company. Unless agreed between the parties, the fair market value is determined through arbitration proceedings mandated by the Finnish Companies Act.
Statutory Thresholds Crossing Notifications	According to the Articles of Association of Alcatel Lucent, any shareholder holding shares equal to or in excess of 2% of the total number of the shares must, within a	Nokia does not have a provision for statutory thresholds crossing notifications.

period of five French trading days from the date on which this share ownership threshold is reached, inform the company by letter or fax of the total number of shares that he or she owns. This notification shall be made each time a further threshold of 1% is reached.

Any shareholder holding shares equal to or in excess of 3% of the total number of the shares must, within a period of five French trading days from the date on which this share ownership threshold is reached, request the registration of his or her shares. This obligation to register shares shall apply to all the shares already held as well as to any shares that may be acquired subsequently in excess of this threshold. The copy of the request for registration, sent by letter or fax to the company within fifteen calendar days from the date on which this share ownership threshold is reached, shall be deemed to be a notification that the threshold has been reached. A further request shall be sent in the same conditions each time a further threshold of 1% is reached, up to 50%.

Calculation of the thresholds above shall include indirectly held shares and shares equivalent to existing shares as defined in Article L. 233-7 et. seq. of the French Commercial Code (e.g., shares held by controlled subsidiaries, held by another person for the account of that person, or held by a third party acting in concert with that person).

Shareholders must certify that all securities owned or held as defined in the preceding paragraph are included in each such declaration and must also indicate the date or dates of acquisition. These notice obligations apply to holders of shares through ADS.

Should shareholders not comply with the provisions set forth above, voting rights for shares exceeding the declarable thresholds shall, at the request of one or more shareholders holding at least 3% of the share capital, be withdrawn under the conditions and within the limits laid down by law.

Any shareholder whose shareholding falls below either of the thresholds provided for above must also inform the company

	thereof, within the same period of five trading days and in the same manner.	
Legal Thresholds Crossing Notifications	Pursuant to the provisions of the French Commercial Code, any natural or legal person, acting alone or in concert, whose shareholding exceeds or falls below the ownership thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3, 50%, 2/3, 90% or 95% of the share capital or of the voting rights of Alcatel Lucent, shall notify Alcatel Lucent and the AMF within a period of four French trading days (before the close of the trading session) from the date following the day on which this share ownership threshold is reached, and shall specify the total number of shares that he or she owns. Pursuant to the terms of Article L. 233-9 I 4° and 4°bis of the French Commercial Code, the computation of the aforementioned thresholds must take into account the existing shares or voting rights that the declaring shareholder is entitled to acquire on his own initiative, immediately or in the future, by virtue of an agreement or a financial instrument paid for in cash, as well as existing shares or voting rights that are the object of any agreement or financial instrument paid for in cash and which have an economic effect for the declaring shareholder similar to shareholding. Additionally, the obligation to notify separately obliges the declaring shareholder to present, in addition to the usual information, complementary information concerning the following financial instruments: (i) securities giving deferred access to new shares and (ii) existing shares that the declaring shareholder is entitled to acquire by virtue of an agreement or of a financial instrument whose exercise depends on the initiative of a third party. A shareholder failing to regularly notify the company and the AMF of the crossing of one of the above mentioned ownership thresholds will be deprived of the voting rights attached to the number of shares exceeding such thresholds for any General Meeting of Shareholders that would be convened for a period of two years following the date of regularization of the notification.	Pursuant to the Finnish Securities Market Act, a shareholder has an obligation to notify Nokia and the Finnish Financial Supervisory Authority of his or her portion of holdings and voting rights when the portion reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 2/3 or 90% of the voting rights or the number of shares in the company. A notification must also be made when a shareholder is party to an agreement or other arrangement, the effect of which would mean that the above threshold is reached or exceeded or that the portion falls below the notification threshold when implemented. The notification is to be submitted without undue delay, however, no later than on the next Finnish trading day after the shareholder learned or should have learned of the transaction as a result of which his or her portion of holdings and voting rights has changed or will change. The shareholder is deemed to have been informed of the transaction no later than two calendar days after the transaction. The portion of holdings is calculated in proportion to the number of shares entered in the Finnish Trade Register as well as to the number of votes carried by these shares. In calculating the portion of holdings, the existing portion of holdings is added with or subtracted by the change in the portion of holdings that an agreement or other arrangement will result in to the extent that the change is known. Also the portion of holdings and voting rights of an entity and foundation controlled by the shareholder and that of a pension foundation or pension fund of the shareholder and an entity controlled by it are included in the calculation. The Finnish Financial Supervisory Authority may impose administrative sanctions for breach of the provisions relating to notification requirements, but such breach does not currently entail a loss of voting rights.

Declaration of Intents	Any shareholder whose shareholding exceeds 10%, 15%, 20% and 25% of the share capital or of the voting rights of Alcatel Lucent must declare his or her intentions for the six months to come. Such declaration must be made to the company and to the AMF within a period of five French trading days (before the close of the trading session).	Nokia does not have a provision for declaration of intents.
Information Provided to Shareholders	Pursuant to the provisions of the French Commercial Code, the company must make available to its shareholders certain books and corporate documents of the company relating to the last three fiscal years, including: • the annual financial accounts and, where available, the consolidated accounts; • a list of the directors of the company; • reports made by the Board of Directors and by the statutory auditors; • draft resolutions of the General Meetings of Shareholders; • minutes of the General Meetings of Shareholders; • information concerning the candidates to the office of director; • the global amount, as certified by the statutory auditors, of compensation paid to the ten most highly paid persons in the company; and • attendance sheets of the General Meetings of Shareholders held during the last three financial years. Shareholders may at any time have access to the above mentioned documents at the registered office of the company. Shareholders typically may also make a copy of the available documents. Prior to a General Meeting of Shareholders, the shareholders of the	Pursuant to the Finnish Companies Act, the Finnish Securities Market Act as well as the Finnish Corporate Governance Code, the company must, for a period of five years, make available to its shareholders certain corporate documents of the company, including, *inter alia*, the following: • the annual accounts and the consolidated accounts; • the reports made by the Board of Directors and by the statutory auditors; • notices of the General Meetings of Shareholders and resolution proposals; • minutes of the General Meetings of Shareholders; • information concerning the candidates to the Board of Directors or the President and Chief Executive Officer; • statements concerning corporate governance and internal control as a listed company (including information on the activities and composition of the Board of Directors and its committees as well as the management and auditors); • remuneration statements (including information on the remuneration of the company's Board of Directors, management and auditors); and • stock exchange releases.

company may also obtain certain information, including:

- the agenda of the meeting;
- the draft resolutions of the General Meeting of Shareholders;
- a summary of the situation of the company during the most recent completed fiscal year;
- the report made by the Board of Directors on corporate governance and internal control, as a listed company;
- the report made by the statutory auditors;
- the annual financial accounts of the company and, as the case may be, consolidated accounts;
- a chart presenting the results of the company over the last five fiscal years;
- the names of directors and the Chief Executive Officer as well as, as the case may be, the indication of other companies in which those persons have management, direction, administration or controlling duties; and
- the names and ages of the candidates to the office of director, as well as their professional references and their professional activities over the last five years, including the functions they have or had in other companies, as well as the employments or functions they had in the company, and the number of company shares they own or carry.

During this period, shareholders may at any time read the list of shareholders of the company.

The company must make the above mentioned documents available on the company's website.

Prior to a General Meeting of Shareholders, the company must make available to the shareholders certain documents at its registered office and on the company's website. The period for the documents to be kept available begins three weeks before the General Meeting of Shareholders, at the latest, and ends three months after the General Meeting of Shareholders, at the earliest. The documents must also be available at the General Meeting of Shareholders. The documents that may need to be made available, depending on the matters on the agenda of the General Meeting of Shareholders, include, inter alia, the following:

- notice of the General Meeting of Shareholders and resolution proposals;
- information about the candidates to the Board of Directors and the management (if such appointments are on the agenda)
- the annual accounts, the consolidated accounts, and the reports made by the Board of Directors and by the statutory auditors
- in case of a merger or a demerger being addressed by the General Meeting of Shareholders, the statutory documentation relating to such reorganization; and
- such other documents as required by the Finnish Companies Act for the addressing of specific agenda items.

Mandatory Tender Offer	The French Financial and Monetary Code provides that a shareholder acting alone or in concert, who holds directly or indirectly more than 30% of the share capital or of the voting rights of a company listed on a regulated market, is obligated to immediately notify the AMF and to file a compulsory public tender offer for all of the share capital of the company and of the securities giving access to the voting rights of the company, such tender offer being subject to compliance conditions set for by the AMF. The same provisions apply to natural or legal persons, acting alone or in concert, holding directly or indirectly a number of shares comprised between 30% and 50% of the share capital or voting rights, and who, within less than twelve consecutive months, raise their share capital or voting rights ownership of more than 1% of the total number of the share capital or voting rights of the company. Article L. 433-4 of the French Monetary and Financial Code and Articles 236-1 seq. (public buy-out offer), 237-1 seq. (squeeze-out following any tender offer) of the AMF General Regulation set out the conditions for filing a public buy-out offer and the conditions of implementation of a squeeze-out for the minority shareholders of a company whose shares are listed on a regulated market.	The Finnish Securities Market Act provides that a shareholder whose portion of voting rights increases to over 30% or to over 50% of the voting rights attached to the shares in a publicly listed company is obligated to make a public tender offer for all remaining shares and for securities entitling to shares in the company (mandatory bid). In calculating the portion of voting rights of the shareholder, shares held *inter alia* by persons acting in concert with the shareholder as well as shares controlled by the shareholder based on an agreement or other arrangement shall also be taken into account. Pursuant to the Finnish Companies Act, a shareholder holding more than 90% of all shares and votes in a company has the right to redeem the shares of the other shareholders in the company at fair market value (squeeze-out). In addition, a shareholder whose shares may be redeemed, has a corresponding right to demand redemption of shares (sell-out). The Articles of Association of Nokia provide that a shareholder whose holding, either alone or together with other shareholders, of the total shares of the company equals or exceeds 33 1/3% or 50% ("Purchasor") is obliged, at the request of other shareholders ("Purchasee"), to redeem their shares and securities which entitle to shares. The purchase price is the higher of the following: i) the weighted average trading price of Nokia Shares on Nasdaq Helsinki during the ten Finnish business days prior to the day on which the company has been notified by the Purchasor that his or her holding has reached or exceeded the threshold referred to above or, in the absence of such notification or its failure to arrive within the specified period, the day on which the Board of Directors of the company otherwise becomes aware of this, or ii) the average price, weighted by the number of shares, which the Purchasor has paid for the Nokia Shares he has acquired during the last 12 months preceding the date referred to in item i).
Related Party Transaction	Any related party transaction pursuant to Article L. 225-38 of the French Commercial Code, except for those concerning ordinary course transactions and for transactions between wholly-	As a general rule, a member of the Board of Directors is disqualified from any decision making concerning a transaction between him- or herself and the company, or any other issue that may provide any

	owned companies, must be subject to the prior approval of the Board of Directors and then to the approval of the shareholders. A related party transaction as per Article L. 225-38 of the French Commercial Code is (i) an agreement entered into directly or through an intermediary person between Alcatel Lucent and its Chief Executive Officer, one of its executive vice-presidents, one of its directors, one of its shareholders holding more than 10% of the voting rights or, if it is a legal person shareholder, the company controlling such legal person in the sense of Article L. 233-3 of the French Commercial Code; (ii) an agreement to which one of those persons have an indirect interest; or (iii) an agreement between Alcatel Lucent and a company, if the Chief Executive Officer, one of the executive vice presidents or one of the directors of Alcatel Lucent is owner, or shareholder indefinitely liable, or manager, or director, or member of the supervisory board or, more generally, managing officer of that company. The prior authorization given by the Board of Directors is motivated by and must justify the interest of the convention for Alcatel Lucent, in particular by detailing the financial conditions attached to that convention.	material benefit to him or her that may be contradictory to the interests of the company. In transactions benefiting the related parties of the company, a reversed burden of proof is applied, i.e., the members of the Board of Directors are presumed to have acted negligently if damage is caused to the company as a result of a transaction that benefits a party closely related to the company, unless the member or members of the Board of Directors can prove that they have acted with due care. Transactions that do not fulfil the requirements of lawful distribution of assets (refer to *"—Dividends, Other Distribution of Assets and Liquidation*" in this comparison table), and which reduce the assets of the company or increase its liabilities without a sound business reason, constitute unlawful distribution of assets. Related-party transactions without a sufficient reason may fall under this definition. Related-party transactions must be disclosed in the notes to the financial statements, if such transactions are material and not on an arm's length-basis. Pursuant to the Finnish Companies Act, the company needs to include in its annual report information concerning any loans, liabilities and liability undertakings granted to a related party and the material terms of the arrangement if the combined amount of such liabilities exceeds EUR 20 000 or 5% of the equity on the company's balance sheet.
Shareholder Litigation	The directors, as well as the Chief Executive Officer, are liable to the company or to third parties, individually or jointly and severally, as the case may be, either for breaches to legislative or regulatory provisions applicable to the company, or for breaches to the provisions of the Articles of Association, or for any misconduct in their management. Any shareholder may engage an action in order to have his damage repaired, if this damage is incurred by an action of the directors or by the Chief Executive Officer, to the extent such damage is distinct of the damage that was potentially endured by the company, and even if the	Refer to "*—Liability of directors*" in this comparison table above for a general discussion on the grounds for liability under the Finnish Companies Act. One or several shareholders holding at least 10% of all shares in a company, have the right to bring an action in their own name for loss caused to the company, if it is probable at the time of filing of the action, that the company will not file a claim for damages. Additionally, an individual shareholder has a similar right to bring an action in his or her own name when it can be demonstrated that the non-enforcement of the claim for damages would be contrary to the general principle of equal treatment of the shareholders, as

misconduct of the president is not detachable from his duties.

Any shareholder may also, either individually or with a shareholders' association answering certain conditions, or by combination with other shareholders under certain conditions, engage a legal action against the directors or against the Chief Executive Officer in order to obtain reparation for damages incurred by the company.

The action for damages against the directors or against the Chief Executive Officer, either led by the company or by an individual, shall expire after three years from the damaging fact or, if it was concealed, from the discovery of the damaging fact, and after ten years if that fact is characterized as a crime.

stated in the Finnish Companies Act. The shareholders bringing the action shall bear the legal costs themselves, but they have the right to be reimbursed by the company for such costs, in so far as the funds accruing to the company by means of the proceedings will suffice.

A shareholder does not have a direct right to receive compensation or damages for loss caused to the company.

Actions for damages under the Finnish Companies Act must generally be initiated within five years from the end of the accounting period during which the decision leading to the loss was made or when the action leading to the loss was taken. Specific expiration periods apply if the loss is caused by a criminal offence.

If the person liable for damages has been discharged from liability by a decision of the General Meeting of Shareholders, the shareholders must, as a general rule, bring the action within three months of the resolution on such discharge from liability.

Alcatel Lucent

Shareholders and potential investors should note that all of the information concerning Alcatel Lucent presented in this Listing Prospectus and in particular in Annex A is solely based on publicly available information of Alcatel Lucent included in Alcatel Lucent Annual Report and Alcatel Lucent Interim Report Alcatel Lucent has filed with the SEC. Nokia confirms that this information has been accurately reproduced and that as far as Nokia is aware and is able to ascertain from information published by Alcatel Lucent, no facts have been omitted which would render the reproduced information inaccurate or misleading.

General

For information about Alcatel Lucent in general, including its history and development, structure, business organization, segments and products, refer to sections "*Information about the Group*" on pages A-27 to A-35 and "*Description of the Group's activities*" on pages A-38 to A-50 of Annex A.

Share Capital Information

For information about Alcatel Lucent's share capital, refer to sections "*Listing and shareholdings—Capital*" on pages A-160 to A-172 and "*Alcatel-Lucent Unaudited Interim Condensed Consolidated Financial Statements at June 30, 2015—Unaudited interim condensed consolidated statements of changes in equity*" on page A-344 of Annex A.

Stock Options, Equity Compensation and Other Special Rights Entitling to Shares

For information about Alcatel Lucent's stock options, equity compensation and other special rights entitling to shares, refer to sections "*Compensation and long-term incentives*" on pages A-121 to A-133 and "*Listing and shareholdings—Capital*" on pages A-160 to A-172 of Annex A. For more information about the effects of the Exchange Offer on Alcatel Lucent's stock options, equity compensation and other special rights entitling to shares, refer to section "*The Exchange Offer—Treatment of Alcatel Lucent Stock Options and Alcatel Lucent Performance Shares*" in this Listing Prospectus.

Equity Compensation

For information about Alcatel Lucent's equity compensation, refer to section "*Compensation and long-term incentives—Long-term compensation mechanisms*" on pages A-122 to A-133 of Annex A.

FINNISH AND FRENCH SECURITIES MARKET

The following summary is a general description of the Finnish and French securities markets and is based on the laws in force in Finland and in France on the date of this Listing Prospectus. The following summary is not exhaustive.

Finnish Securities Market

General Information

The securities market in Finland is supervised by the Finnish Financial Supervisory Authority. The primary law governing securities markets is the Finnish Securities Market Act, which contains provisions, notably, in respect of company and shareholder disclosure obligations, prospectus requirements, public tender offers and market abuse. The role of the FIN-FSA is to monitor compliance with these regulations.

The Finnish Securities Market Act specifies minimum disclosure requirements for Finnish companies applying to have their shares listed on Nasdaq Helsinki or whose securities are publicly traded or who offer their securities to the public. The information provided on factors that may have a material effect on the value of the securities must be sufficient to enable investors to make a sound evaluation of the securities being offered and of the issuing company. Finnish listed companies are responsible for regularly publishing their financial information as well as for informing the markets of any matters likely to have a material effect on the value of their securities.

A shareholder is required to notify, without undue delay, a Finnish listed company and the Finnish Financial Supervisory Authority when its voting participation in, or its percentage ownership of, the issued share capital of such Finnish listed company reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 2/3 or 90%, calculated in accordance with the Finnish Securities Market Act, or when it enters into an agreement or other arrangement that, when implemented, has such effect. When a listed company has received the above-mentioned information, it must make the information public by a stock exchange release.

According to the Finnish Securities Market Act, a shareholder holding more than three tenths (3/10) or one half (1/2) of the voting rights attached to shares in a company after the shares or securities entitling to such shares of the company have been entered into public trading, is obligated to make a public tender offer for all remaining shares and securities entitling to such shares in the company at fair value (mandatory bid). After exceeding the 30% threshold and having made a mandatory public tender offer, the shareholder may increase his or her holding in the company until the holding exceeds 50% of voting rights attached to shares in a company, at which point the obligation to make a mandatory public tender offer is again triggered. In addition, under the Finnish Companies Act, a shareholder holding shares representing more than 90% of all the shares and votes in a company has the right to redeem the remaining shares in the company at fair market value (squeeze-out). In addition, a shareholder whose shares can be redeemed in the above-mentioned manner is entitled to demand redemption of his or her shares from the majority shareholder entitled to exercise redemption (sell-out). Detailed rules apply to the calculation of the proportions of shares and votes discussed above. In a company’s Articles of Association, there may be specific provisions on redemption obligation or right deviating from the law.

The Finnish Penal Code (39/1889, as amended), contains provisions relating to breach of disclosure requirements, the misuse of privileged or inside information and market manipulation. Breach of these provisions constitutes a criminal offence. The Finnish Financial Supervisory Authority has the right to impose administrative sanctions for breach of the provisions relating to market abuse and disclosure requirements to the extent that the offence does not fall within the scope of the Finnish Penal Code. The Finnish Financial Supervisory Authority can, for example, issue a public warning or impose monetary penalties for the breach of disclosure or reporting requirements, insider register provisions, misuse of insider information or market manipulation.

Trading and Clearing and Settlement on Nasdaq Helsinki

Share trading on Nasdaq Helsinki occurs through automatic order matching. In carrying out share trades, Nasdaq Helsinki uses the INET trading platform, which is an order-based system in which buy-and sell-orders are matched as trades when the price and volume information tally. In the INET trading platform, the trading day consists, as a general rule, of the following main phases: pre-trading, continuous trading, the closing auction and post-trading.

During the pre-trading session from 09:00 to 09:45, orders may be entered, changed or deleted. The opening call begins at 09:45 and ends at 10:00. Round lot orders entered during the pre-trading phase and existing orders that may be valid for more than one day are automatically transferred into the opening call. Continuous trading takes place between 10:00 and 18:25. Continuous trading begins sequentially immediately after the opening for the day that has ended at 10:00, at which time the first share's opening price is determined, after which continuous trading in said share commences. Approximately ten minutes later, the opening prices of all the shares have been determined and trading based on market demand continues until 18:25. The closing auction begins at approximately 18:25 and ends at approximately 18:30, when the closing prices are determined and when the continuous trading ends as well. In post-trading between 18:30 and 19:00, the only trades that may be registered are contract trades for shares in after-hours trading. The shares will be registered at prices established during the trading day.

Trades are primarily cleared by netting them in the clearing and settlement system of the European Multilateral Clearing Facility acting as the central counterparty and executed in Euroclear Finland Ltd's automated clearing and settlement system on the second (2nd) banking day after the trade date (T+2) unless otherwise agreed by the parties.

Trading in shares on Nasdaq Helsinki and clearing of securities in Euroclear Finland Ltd take place in euros, with the minimum tick size for trading quotations being EUR 0.0001. All price information is produced and published only in euros.

The Finnish Book-entry Securities System

General Information

Use of the book-entry securities system is mandatory for all companies with shares listed on Nasdaq Helsinki. The book-entry securities system is centralized at Euroclear Finland Ltd, which provides national clearing and registration services for securities. Euroclear Finland Ltd maintains a book-entry securities system for both equity and debt securities. The registered office of Euroclear Finland Ltd is located at Urho Kekkosen katu 5 C, FI-00100, Helsinki, Finland.

Euroclear Finland Ltd keeps company-specific shareholder registers of the shareholders of companies entered into the book-entry securities system and offers book-entry account services to shareholders who do not wish to use the services of commercial account operators. The basic custody expenses incurred by Euroclear Finland Ltd in connection with maintaining the book-entry accounts are mainly borne by the issuers and account operators participating in the book-entry securities system. The account operators, which consist of for example credit institutions, investment services companies and other institutions licensed to act as account operators by Euroclear Finland Ltd, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

In order to effect entries in the Finnish book-entry securities system, a holder of securities or such holder's nominee must establish a book-entry account with Euroclear Finland Ltd or with an account operator or register its securities through nominee registration. Finnish security holders may not hold their securities through a nominee. For holders of securities who have not transferred their securities into book-entries, a joint book-entry account shall be opened with Euroclear Finland Ltd and the company is entered as the account holder. All transactions in securities registered in the book-entry securities system are executed as computerized book-entry transfers. The account operator confirms book-entry transfers by sending notifications of transactions to the holder of the respective book-entry account. The account holders also receive an annual statement of their holdings as of the end of each calendar year.

Each book-entry account must give the particulars of the account holder and other holders of rights to the book-entries in the account or of the manager of a nominee registration who manages the assets in the nominee-registered account, as well as information on the account operator for the account. The required information includes the type and number of the book-entry securities registered in the account as well as the rights and restrictions pertaining to the account and the book-entries. Any nominee-registered account must be identified when making entries in the account. Euroclear Finland Ltd and the account operators are responsible for maintaining the confidentiality of the information they receive. Euroclear Finland Ltd and the company must, however, make public certain information (such as the account holder's name, nationality and address) contained in the register of shareholders maintained by Euroclear Finland Ltd, save in the case of nominee registration. The Finnish Financial Supervisory Authority is entitled to receive certain information on nominee registrations upon request.

Each account operator is liable for errors and omissions in the book-entry registers maintained by it and for any unauthorized disclosure of information. However, if an account holder has suffered a loss as a result of a faulty registration or an amendment to, or deletion of, rights related to registered securities and the account operator is unable to compensate such loss, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland Ltd. The capital of the registration fund must be at least 0.0048% of the average of the total market value of the book-entries kept in the book-entry securities system during the last five (5) calendar years and it must not be less than EUR 20 million. The compensation to be paid to one injured party shall be equal to the amount of loss suffered by such injured party from a single account operator, subject to a maximum amount of EUR 25.000. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of Securities and Nominee Registration

A non-Finnish shareholder may appoint an account operator (or certain non-Finnish organizations approved by Euroclear Finland Ltd) to act as a custodial nominee account holder on its behalf. A nominee shareholder is entitled to receive dividends and to exercise all share subscription rights and other financial and administrative rights attaching to the shares held in its name. A beneficial owner wishing to participate in a General Meeting of Shareholders shall seek temporary registration in the shareholders' register. The notification of the temporary registration shall be made at the latest on the date set out in the notice of the General Meeting of Shareholders, which shall be after the record date of the General Meeting of Shareholders. A custodial nominee account holder or another nominee is required to disclose to the Finnish Financial Supervisory Authority and to the relevant company, upon request, the actual identity of the shareholder of any shares registered in the name of such nominee, where the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the nominee is required to disclose said information in respect of the representative acting on behalf of the beneficial owner and to submit a written declaration to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity.

Finnish Depositories for both Euroclear Bank, S.A./N.V. – as operator of Euroclear Finland Ltd – and Clearstream have nominee accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares listed on Nasdaq Helsinki on their accounts in Euroclear Bank, S.A./N.V. and in Clearstream.

Shareholders wishing to hold their shares in the book-entry securities system in their own name but who do not already maintain a book-entry account in Finland are required to open a book-entry account with Euroclear Finland Ltd or an account operator as well as a bank account denominated in euro in Finland.

Compensation Fund for Investors

Under Finnish law, investors are divided into professional and non-professional investors. The definition of professional investors includes business enterprises and public entities that can be deemed to know the securities markets and the risks related thereto. An investor may also declare in writing that, on the basis of his professional skills and experience in investment activities, he or she is a professional investor. However, private investors are generally considered non-professional investors.

Credit institutions and such investment firms managing or retaining clients' assets that do not provide solely intermediation or investment advisory services or organizing of multi-lateral trading must belong to a statutory compensation fund for investors. The compensation fund safeguards payment of clear, indisputable receivables that are due when an investment company or a credit institution, for a reason other than temporary insolvency, is not capable of paying the claims of investors within a determined period of time. Only claims of non-professional investors are paid by the compensation fund. An investor is paid 90% of the investor's receivable, subject to a maximum amount of EUR 20 000. The fund does not compensate for losses due to a fall in equity prices or incorrect investment decisions, whereby the customer is still responsible for the consequences of his or her investment decisions. If a deposit bank becomes insolvent, customers of such deposit bank shall be compensated from the deposit guarantee fund for claims up to EUR 100 000. The funds of an investor are safeguarded either through the deposit guarantee fund or the compensation fund. Accordingly, the same funds of an investor do not benefit from double protection.

French Securities Market

General Information

The securities market in France is supervised by the French Financial Market Authority (*Autorité des marchés Financiers*). The French securities markets are mainly governed by the French Financial and Monetary Code, the French Commercial Code and the AMF General Regulation, which contain provisions, notably, in respect of company and shareholder disclosure obligations, prospectus requirements, public tender offers and market abuse. The role of the AMF is to authorize, monitor, regulate participants and products in France's financial markets. The AMF also remits safeguard investments in financial products, ensures that investors receive material information and maintains orderly financial markets.

The AMF checks the official disclosures prepared by securities issuers for IPOs, issuance of equity or debt securities and public offerings. These documents may take various forms, including prospectuses, offer documents, registration documents, base documents and securities notes. They may be approved by the AMF before distribution or filed and checked ex post (but before the launch of the financial operation). The AMF makes sure, in particular, that the information contained in a prospectus that will be disseminated publicly during a corporate finance transaction is comprehensible, consistent and complete. The AMF also checks the transaction's regulatory compliance. During the review process, the AMF may request explanations or evidence, in particular about the position, business and earnings of the company concerned and any guarantees for securities covered by the transaction.

Under French law, any person, acting alone or in concert, whose shareholding exceeds or falls below the ownership thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3, 50%, 2/3, 90% or 95% of the share capital or voting rights of a French company listed on Euronext Paris, shall notify to such company and to the AMF within a period of four French trading days (before the close of the trading session) from the date following the day on which this share ownership threshold is reached, and shall specify the total number of shares that he or she owns. In addition, any shareholder whose shareholding exceeds 10%, 15%, 20% and 25% of the share capital or voting rights of a French company listed on Euronext Paris must declare his or her intentions for the next six months. Such declaration must be made to the French company and to the AMF within a period of five French trading days (before the close of the trading session). The AMF then makes this information public.

Any person must file an offer for 100% of the securities of the targeted company if he or she, acting alone or in concert, crosses (even passively) the threshold of 30% of the share capital or voting rights of a company listed on Euronext Paris. A mandatory offer is also required to be filed by any person who already has a direct or indirect holding of between 30% and 50% of the share capital or voting rights of the targeted company and increases, in a period of less than twelve months, its holding of the share capital or voting rights in the targeted company by more than 1%. A shareholder holding shares representing at least 95% of the voting rights in a company listed on Euronext Paris has the right to redeem the remaining shares in the company (squeeze-out). Furthermore, a shareholder whose shares can be redeemed in the above-mentioned manner is entitled to demand redemption of his or her shares from the majority shareholder entitled to exercise redemption (sell-out).

The French regulations contain provisions relating to breach of disclosure information, the use of privilege or inside information and market manipulation. Breach of these provisions constitutes a criminal offense which may lead to fines and imprisonment. In addition, the AMF can assess such misconduct via its Enforcement Committee (*Commission des sanctions*). This committee can impose only financial penalties and/or disciplinary sanctions.

Trading and Clearing and Settlement on the Paris Stock Exchange

Share trading on Euronext Paris occurs through automatic order matching. In carrying out share trades, Euronext Paris uses the Universal Trading Platform, which is a multi-market exchange platform for all NYSE Euronext markets, permitting to the buy and sell orders to be matched to obtain a quotation. Trading occurs on a price-driven continuous basis, or during auctions that take place twice daily at set times to improve price discovery for less-liquid securities.

On a continuously operating market, before the market opening (pre-market opening), orders accumulate on the order book without any transactions taking place. At the market opening, depending on the orders pending in the market, the system calculates a mid-price or call auction so that the maximum number of stocks can be traded. The trading session begins at 09:00 and goes until 17:30. During that phase, each new order immediately generates a new price, provided there are compatible orders in the opposite direction. Pre-market closure begins at 17:30 and goes until 17:35. As in pre-market opening, during that phase, orders accumulate but with no transactions. At 17:35, as at the market opening, the last closing price is determined and fixed. Between 17:35 and until 17:40, orders can be entered for execution at the closing price only (Trading At Last).

In conjunction with Euroclear Group, LCH.Clearnet SA has designed a solution for the settlement of Euronext members' securities transactions. The Euronext Stock Exchange Settlement presents clearing members with the option to settle their exchange trades against LCH.Clearnet SA on a delivery-versus-payment basis via the settlement platform of their choice (Euroclear Bank or the domestic central securities depository), namely, Euroclear France or Euroclear Bank for clearing members active on Euronext Paris.

TAXATION

The following is a description of the material Finnish and French withholding tax consequences that may be relevant with respect to this Listing Prospectus. The following relates only to payments made to beneficial owners of the Nokia Shares and may not apply to certain classes of persons such as Dealers. It does not purport to be a complete analysis of all tax considerations relating to the Offered Shares or Nokia Shares, whether in Finland in France or elsewhere. Prospective purchasers of Offered Shares or Nokia Shares should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Offered Shares or Nokia Shares and receiving payments of dividend or other payments under the Offered Shares or Nokia Shares and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Listing Prospectus and is subject to any change in law that may take effect after such date, including changes with retroactive effect.

Finnish Taxation

Withholding Taxation of Dividends and Equity Returns

According to Finnish domestic law, the distribution of funds from the invested unrestricted equity fund (Finnish Companies Act Chapter 13 Section 1 point 1) by a publicly listed company as defined in the Finnish Income Tax Act Section 33 a Subsection 2 ("Listed Company") is taxed as distribution of dividends. Therefore, the following applies also to the distribution of funds from the invested unrestricted equity fund carried out as an equity return by Nokia.

A) Residents

Individuals and Estates

If the shareholder is an individual, 85% of dividends paid by a Listed Company is considered as capital income of the recipient, taxable at the flat rate of 30% (however, if the overall capital income exceeds EUR 30,000 during the calendar year, the tax for the exceeding amount is 33%) while the remaining 15% is tax-exempt.

A listed company distributing dividends, or a resident financial institution (or a Finnish branch of a non-resident) effecting the payment to the recipient, is obligated to withhold advance income tax from dividends paid to resident individuals or estates. Currently, the amount of the advance income tax withholding is 25.5% of the amount of the dividend. The advance income tax withheld by the distributing company or a surrogate payer is credited against the final income tax payable by the individual shareholder for the dividend received.

Companies

Dividends received by a Listed Company from another Listed Company are generally tax-exempt. However, in case the underlying shares are included in the investment assets of the shareholder (only financial, insurance and pension institutes may have investment assets referred in this context), 75% of the dividend received in respect of such shares is taxable income while the remaining part of the dividend is tax-exempt.

Dividends received by a Finnish company that is not publicly quoted from a Listed Company are generally entirely taxable income. However, in cases where the company that is not publicly quoted directly owns 10% or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax-exempt provided that the underlying shares are not included in the investment assets of the shareholder.

Dividend payments made to Finnish corporate holders of the Offered Shares or Nokia Shares may generally be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Finland or by any municipality or other political subdivision or taxing authority thereof or therein.

B) Non-residents

Non-residents of Finland are subject to Finnish withholding tax on dividends paid by a Finnish company. The withholding tax as a final tax is withheld by the company distributing the dividend at the time of dividend payment. The withholding tax rate for a dividend received by a non-resident individual shareholder is 30% and for a dividend received by a non-resident company the withholding tax rate is generally 20% unless otherwise set forth in an applicable tax treaty.

Finland has entered into double taxation treaties with many countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, the Finnish withholding tax rate for portfolio shares is generally reduced to zero when paid to a qualifying French recipient and to 15% when paid to a qualifying U.S. recipient. A further reduction in the withholding tax rate is usually available to corporate shareholders for dividend distributions on qualifying direct holdings (usually direct ownership of at least 10 or 25% of the share capital or voting rights of the distributing company). The benefit of reduced withholding rate in an applicable tax treaty will generally be available if the person beneficially entitled to the dividend has provided to the payer of the dividend the necessary details on the applicability of the tax treaty before the payment of the dividend.

Where shares in a Finnish company are held through a nominee account, the Finnish distributing company pays the dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owner. If such beneficial owner holding the shares through a nominee account is a resident in a tax treaty country, the withholding tax rate on the dividend is 15%, or a higher percentage defined in the applicable tax treaty, provided that the payer (the dividend distributing company or the Finnish custodian bank) with adequate diligence has ensured that the provisions of a tax treaty are applicable to the nominee registered beneficial owner. Such procedure, however, requires that the foreign custodian intermediary is registered in the Finnish Tax Administration's register and that it is resident in a country that Finland has a tax treaty with. In addition, the foreign custodian intermediary must have an agreement with the Finnish account operator with regard to the custody of the shares in which agreement the foreign custodian intermediary, among others, commits to report the beneficial owner's residential country to the account operator and to provide additional information to the tax authorities, if needed. If the nominee registered beneficial owner of the dividend is entitled to a lower withholding tax rate than 15%, the application of such a lower withholding tax rate is subject to the provision of detailed information, i.e. either a certificate of taxation at the source or the name, date of birth, identification number and address in the home state of the beneficial owner of the dividend, to the Finnish custodian bank or to the payer of the dividend (the necessary information may also be submitted in connection with an application for refund of the excess withholding tax). If these provisions are not fulfilled, a withholding tax of 30% will be withheld on the dividends paid in respect of shares held through a nominee account.

Foreign Companies Residing in the European Union Member States

No withholding tax is levied under Finnish tax laws on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Council Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (the "Parent-Subsidiary Directive"), as amended by the Council Directive 2013/13/EU, and that directly hold at least 10% of the capital of the distributing Finnish company.

Foreign Companies Residing in the European Economic Area

Dividends paid to certain foreign corporate entities residing in the European Economic Area are either tax-exempt in full or a lowered rate of withholding tax is applied depending on how the dividend would be taxed if paid to a Finnish corporate entity.

No withholding tax will be levied in Finland on dividends paid to a non-resident entity by a Finnish company, if (i) the entity receiving dividend resides in the European Economic Area; (ii) the Council Directive 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the receiver of the dividend; and (iii) the entity receiving dividend is equivalent to a Finnish entity defined in the Finnish Income Tax Act Section 33 d Sub-section 4 or in Section 6 a of the Finnish Business Income Tax Act; (iv) the dividend would be tax-exempt in full if paid to a Finnish company or corporation; and (v) the dividend receiving entity provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the agreements on avoiding double taxation applicable in the home state of the receiver of dividends, the withholding tax cannot be reimbursed in full.

If dividend is paid to a company that fulfils the requirements presented above in the section (iii) and that resides in a country which fulfils the criteria set out in the sections (i) and (ii), but the dividend would be only partly tax exempt if it was paid to a corresponding Finnish entity (refer to the section "*—A) Residents—Companies*"), a withholding tax will be withheld on the dividends, but the general withholding tax rate will be for such dividends lowered to 15% (instead of 20%). Thus, notwithstanding entities as defined in the Parent-Subsidiary Directive, which fulfil the criteria for tax exemption by directly owning at least 10% of the capital of the Finnish company paying the dividends (refer to the section "*—Foreign Companies residing in the European Union Member States*"), if the shares of the Finnish company paying dividends are part of the investment assets of the company receiving the dividends, a withholding tax rate of 15% is applied. Depending on the applicable tax treaty, the applicable withholding tax rate can also be lower than 15% (refer to the section "*—B) Non-residents*").

Foreign Individuals Residing in the European Economic Area

The dividends paid to a non-resident individual can upon request by the individual in question be taxed, instead of as withholding taxation (refer to the section "*—B) Non-residents*"), in accordance with the Act on Assessment Procedure (1558/1995, as amended) and thus as resident individuals in Finland are taxed (refer to the section "*—A) Residents—Individuals and estates*"), provided that (i) the individual receiving dividends resides in the European Economic Area; (ii) the Council Directive 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC or an agreement on mutual assistance and information exchange in tax matters applies to the home state of the receiver of the dividend; and (iii) the individual provides a report (a certificate from the home member state's tax authority) clarifying that in accordance with the agreements on avoiding double taxation applicable in the home state of the receiver of dividends, the withholding tax cannot be reimbursed in full.

Withholding Taxation of Capital Gains

Payments in respect of the Offered Shares or Nokia Shares classified as capital gains for Finnish income tax purposes are not subject to withholding tax or advance withholding of income tax.

French Tax Consequences

The following is a description of the material French income tax and capital gain tax consequences that may be relevant with respect to the Exchange Offer. The following description is applicable to individuals who are French tax residents acting in connection with the management of their private assets and do not trade on a usual basis, as well as legal entities which are French tax residents and subject to corporate income tax. It takes into account the double taxation treaty entered into between Finland and France on September 11, 1970 (the "France-Finland Treaty").

The present information is a summary of the tax regime in force for general information purposes and is not intended to constitute a complete analysis of all the tax effects which may apply to a French holder of Nokia Shares; French holders of Nokia Shares are advised to consult their usual tax adviser in order to examine their particular situation.

Individuals Who Are French Tax Residents Acting in Connection with the Management of Their Private Assets Outside the Framework of a Share Savings Plan and Who Do Not Perform Stock Exchange Transactions on a Usual Basis

Taxation of Dividends

Pursuant to Article 10 of the France-Finland Treaty, the dividends paid by a company which is a Finnish tax resident, such as Nokia, to a shareholder who is a French tax resident, are only taxable in France.

Subject to a limited number of exceptions, the gross amounts of the distributed income are taxable at 21% by application of Article 117 quarter of the French General Tax Code, provided that this tax is deductible from income tax due for the year in which the dividend was received, the excess, if any, being refunded to the taxpayer.

Such tax is (i) deductible at the source when the taxable company is located in a State which is a member of the European Union or which is a party to the agreement on the European Economic Area and has concluded a treaty on administrative assistance to prevent fraud or tax evasion, in the latter case, subject to the taxpayer's relevant instructions to the paying establishment or (ii) paid by the taxpayer.

In addition, dividends paid by Nokia are subject to the following social contributions of up to 15.5% deducted in the same manner as the non-definitive tax of 21% referred to above.

Capital Gains Taxation

Pursuant to the provisions of Article 13 of the France-Finland Treaty, the capital gains derived from the transfer of Nokia Shares by individuals residing in France are taxable in France, subject to the capital gains not being attributable to a permanent establishment or a fixed place of business in Finland.

Legal Entities which are French Tax Residents and Subject to Corporate Income Tax

Taxation of Dividends

Pursuant to Article 10 of the France-Finland Treaty, dividends paid by a company which is a Finnish tax resident, such as Nokia, to a shareholder who is a French tax resident are taxable in France.

Capital Gains Taxation

Pursuant to the provisions of Article 13 of the France-Finland Treaty, the capital gains derived from the transfer of Nokia Shares by legal entities tax resident in France are taxable in France, subject to the capital gains not being attributable to a permanent establishment or a fixed place of business in Finland.

Other Situations

The holders of Nokia Shares subject to a tax regime other than those referred to above must contact their usual tax adviser to find out which tax regime applies to their particular case.

LEGAL MATTERS

Certain legal matters in connection with the listing of the Offered Shares and the Exchange Offer will be passed upon for Nokia by Roschier, Attorneys Ltd. as to matters of Finnish law, Skadden, Arps, Slate, Meagher & Flom (UK) LLP as to matters of U.S. law and Skadden, Arps, Slate, Meagher & Flom LLP as to matters of French law.

INDEPENDENT AUDITORS

The consolidated financial statements of Nokia Group for the financial years ended December 31, 2014, 2013 and 2012 were audited by PricewaterhouseCoopers Oy, Authorized Public Accountants, with Mr. Heikki Lassila, Authorized Public Accountant, appointed as the auditor with the principal responsibility. The interim report for the six months ended on June 30, 2015 as well as the pro forma condensed combined financial information presented in this Listing Prospectus are unaudited.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection during the validity period of the Listing Prospectus on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction and within standard business hours at the registered office of Nokia at Karaportti 3, FI-02610 Espoo, Finland:

- This Listing Prospectus;
- Independent auditor's assurance report on the profit forecast included in the Listing Prospectus;
- Independent auditor's assurance report on the compilation of the pro forma financial information included in the Listing Prospectus;
- The Articles of Association of Nokia;
- The Articles of Association of Alcatel Lucent;
- The documents incorporated by reference into this Listing Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents have been incorporated by reference into this Listing Prospectus in accordance with the Commission Regulation, Article 28. The documents incorporated by reference are available at Nokia's website athttp://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction. For the audited financial statements of Alcatel Lucent, including the auditor's report, for the year ended December 31, 2014, and Alcatel Lucent's report on Form 6-K for the period ended June 30, 2015 (i.e. Alcatel Lucent Interim Report), refer to pages A-195 to A-293 and A-416 to A-466, respectively, of Annex A.

- The audited financial statements of Nokia, including the auditor's report, for the financial year ended December 31, 2014 (included on pages 122–205 of Nokia's Annual Accounts for the year ended December 31, 2014);
- The audited financial statements of Nokia, including the auditor's report, for the financial year ended December 31, 2013 (included on pages 22–100 of Nokia's Annual Accounts for the year ended December 31, 2013);
- The audited financial statements of Nokia, including the auditor's report, for the financial year ended December 31, 2012 (included on pages 18–86 of Nokia's Annual Accounts for the year ended December 31, 2012);
- The unaudited interim report of Nokia for the six months ended on June 30, 2015;

- The annual report of Nokia's Board of Directors for the financial year ended December 31, 2014 (included on pages 44–77 of Nokia's Annual Accounts for the year ended December 31, 2014);
- The annual report of Nokia's Board of Directors for the financial year ended December 31, 2013 (included on pages 5–19 of Nokia's Annual Accounts for the year ended December 31, 2013);
- The annual report of Nokia's Board of Directors for the financial year ended December 31, 2012 (included on pages 3–16 of Nokia's Annual Accounts for the year ended December 31, 2012);
- The audited financial statements of Alcatel Lucent, including the auditor's report, for the financial year ended December 31, 2013 (included on pages 195–320 of Alcatel Lucent's annual report on Form 20-F for the year ended December 31, 2013); and
- The audited financial statements of Alcatel Lucent, including the auditor's report, for the financial year ended December 31, 2012 (included on pages 181–294 of Alcatel Lucent's annual report on Form 20-F for the year ended December 31, 2012).

OTHER DOCUMENTS RELATING TO THE EXCHANGE OFFER

The following documents have been or will be prepared in relation to the Exchange Offer and, when available, can be accessed during the validity period of the Listing Prospectus on Nokia's website at http://company.nokia.com/en/investors/financial-reports/filings-related-to-the-Alcatel-Lucent-transaction. The below is not, and does not purport to be, an exhaustive list of documents that have been or will be prepared in relation to the Exchange Offer.

- The final Form F-4, as amended or supplemented from time to time, once declared effective by the SEC;
- The French Offer Document, as amended or supplemented from time to time, once approved by the AMF;
- The French response document, as amended or supplemented from time to time, once approved by the AMF;
- The French document relating, in particular, to the legal, financial and accounting characteristics of Nokia;
- The French document relating, in particular, to the legal, financial and accounting characteristics of Alcatel Lucent;
- The Schedule TO, as amended or supplemented from time to time, once filed with the SEC; and
- Alcatel Lucent's Solicitation/Recommendation Statement on Schedule 14D-9, as amended or supplemented from time to time, once filed with the SEC

GLOSSARY

This section "Glossary" is provided only for the convenience of the reader and should not be relied upon by the reader to provide a comprehensive overview of the terminology required to understand the business of Nokia, Alcatel Lucent or the Combined Company.

3D geo-location capabilities: Geolocation (the wireless detection of the physical location of a remote device) using 3-D modeling increases the accuracy of network planning and optimization for multivendor mobile networks.

3G (Third Generation Mobile Communications): The third generation of mobile communications standards designed for carrying both voice and data generally using WCDMA or close variants.

3GPP (3rd Generation Partnership Project): Joint effort between numerous telecommunications standards development organizations, focused on developing globally applicable specifications for 3G cellular technologies, including codecs and quality of service, to which Nokia contributes.

4G (Fourth Generation Mobile Communications): The fourth generation of mobile communications standards based on LTE, offering IP data connections only and providing true broadband internet access for mobile devices. See also LTE.

5G (Fifth Generation Mobile Communications): The next major phase of mobile telecommunications standards. 5G will be the set of technical components and systems needed to handle new requirements and overcome the limits of current systems.

Alternative Payment Mechanism: Payment methods that are used as an alternative to credit card payments. Most alternative payment methods address a domestic economy or have been specifically developed for electronic commerce and the payment systems are generally supported and operated by local banks. Each alternative payment method has its own unique application and settlement process, language and currency support, and is subject to domestic rules and regulations.

Backbone Network: A backbone network or network backbone is a part of computer network infrastructure that interconnects various pieces of network, providing a path for the exchange of information between different local area networks or subnetworks.

Base station: A network element in a mobile network responsible for radio transmission and reception to or from the mobile station.

Broadband: The delivery of higher bandwidth by using transmission channels capable of supporting data rates greater than the primary rate of 9.6 Kbps.

CDMA (Code Division Multiple Access): A technique in which radio transmissions using the same frequency band are coded in a way that a signal from a certain transmitter can be received only by certain receivers.

CEM (Customer Experience Management): Software suite used to manage and improve the customer experience, based on customer, device and network insights.

Churn: Churn rate is a measure of the number of customers or subscribers who leave their service provider, e.g. a mobile operator, during a given time period.

CloudBand: A business of Alcatel Lucent and the first-to-market carrier grade NFV management and orchestration (MANO) platform purpose-built for service providers.

Cloud-based Solutions: Providing users and enterprises with various capabilities to store and process their data in third-party data centers.

Convergence: The coming together of two or more disparate disciplines or technologies. Convergence types are, for example, IP convergence, fixed-mobile convergence and device convergence.

Core network: A combination of exchanges and the basic transmission equipment that together form the basis for network services.

Cybersecurity Breaches: An incident in which sensitive, protected or confidential data has potentially been viewed, stolen or used by an individual unauthorized to do so. It may involve personal health information, personally identifiable information, trade secrets or intellectual property.

Digital: A signaling technique in which a signal is encoded into digits for transmission.

DSL (Digital Subscriber Line): DSL is a technology for bringing high- bandwidth information to homes and small businesses over ordinary copper telephone lines.

Ecosystem: An industry term to describe the increasingly large communities of mutually beneficial partnerships that participants such as hardware manufacturers, software providers, developers, publishers, entertainment providers, advertisers and ecommerce specialists form in order to bring their offerings to market. At the heart of the major ecosystems in the mobile devices and related services industry is the operating system and the development platform upon which services are built.

Ecosystem Player: A participant in the so-called ecosystem as described above.

EDGE (Enhanced Data Rates for Global Evolution): A technology to boost cellular network capacity and increase data rates of existing GSM networks to as high as 473 Kbit/s.

Emerging Market Countries: An emerging market is a country that has some characteristics of a developed market, but does not meet standards to be a developed market. This includes countries that may be developed markets in the future or were in the past

ETSI (European Telecommunications Standards Institute): Standards produced by the ETSI contain technical specifications laying down the characteristics required for a telecommunications product.

FD-LTE (Frequency Division Long-Term Evolution), also known as **FDD (Frequency Division Duplex)**: A standard for LTE mobile broadband networks. Frequency Division means that separate, parallel connections are used to carry data from the base station to the mobile device ('downlink') and from the mobile device to the base station ('uplink').

Fixed Access: In personal communications service (PCS), terminal access to a network in which there is a set relationship between a terminal and the access interface. A single "identifier" serves for both the access interface and the terminal.

Fixed Mobile Convergence: Fixed mobile convergence refers to the ability of telecommunications companies to provide their subscribers with services that interact with and use both the fixed networks of incumbent wireline and/or cable operators and the mobile/cellular networks of mobile operators.

Global Delivery Center: A remote service delivery center with a pool of services experts, automated tools and standardized processes to ensure that services across the entire network life cycle are delivered to operators globally.

Global Services: A segment within Nokia Networks. Global Services provides mobile operators with a broad range of services, including professional services, network implementation and customer care services.

Global Technology Center: R&D center with large R&D resource pools working in global product development programs of business lines. A Global Technology Center hosts organizations with global architecture and system design responsibilities. R&D testing laboratories are located in the Global Technology Centers.

GPS (Global Positioning System): Satellite-based positioning system that is used for reading geographical position and as a source of the accurate coordinated universal time.

GSM (Global System for Mobile Communications): A digital system for mobile communications that is based on a widely-accepted standard and typically operates in the 900 MHz, 1800 MHz and 1900 MHz frequency bands.

Implementation patents: Implementation patents include technologies used to implement functionalities in products or services which are not covered by commitments to standards setting organizations, so they typically offer product differentiation by giving competitive advantage, such as increased performance, smaller size or improved battery life and the patent owner has no obligation to license them to others.

Industrial design: Design process applied for products that will be manufactured at mass scale.

Intangible asset: An asset that is not physical in nature. Corporate intellectual property (items such as patents, trademarks, copyrights, business methodologies), goodwill and brand recognition are all common intangible assets in today's marketplace.

Internet Protocol: A network layer protocol that offers a connectionless internet work service and forms part of the TCP/IP protocol.

IoT (Internet of Things): All things such as cars, the clothes we wear, household appliances and machines in factories connected to the Internet and able to automatically learn and organize themselves.

IP (Intellectual Property): Intellectual property results from original creative thought, covering items such as patents, copyright material, trademarks, as well as business models and plans.

IP Multimedia Subsystem (IMS): Architectural framework designed to deliver IP-based multimedia services on telco networks; standardized by 3GPP.

IP Routing: IP Routing is an umbrella term for the set of protocols that determine the path that data follows in order to travel across multiple networks from its source to its destination. Data is routed from its source to its destination through a series of routers, and across multiple networks.

IPR (Intellectual Property Right): Legal right protecting the economic exploitation of intellectual property, a generic term used to describe products of human intellect, for example patents, that have an economic value.

IPR licensing: Generally refers to an agreement or an arrangement where a company allows another company to use its intellectual property (such as patents, trademarks or copyrights) under certain terms.

Launcher: An application launcher (such as Z Launcher by Nokia, an intuitive Android launcher) is a computer program that helps a user to locate and start other computer programs.

Low-power: Low-power devices have been designed to use less electric power.

LTE (Long-Term Evolution): 3GPP radio technology evolution architecture and a standard for wireless communication of high-speed data. Also referred to as 4G.

Microwave: An electromagnetic wave with a wavelength in the range 0.001–0.3 m, shorter than that of a normal radio wave but longer than those of infrared radiation.

Mobile broadband: Refers to high-speed wireless internet connections and services designed to be used from arbitrary locations.

NFC (Near Field Communication): A short-range wireless technology that enables people to connect one NFC-enabled device with another, or to read an NFC tag. By bringing one NFC-enabled mobile device close to another NFC device, or to an NFC tag, people can easily share content, access information and services, or pay for goods.

NFV (Network Functions Virtualization): Principle of separating network functions from the hardware they run on by using virtual hardware abstraction.

NSN: Short for Nokia Solutions and Networks, the former name of Nokia's Nokia Networks business. From 2007, NSN was known as Nokia Siemens Networks until Nokia acquired Siemens' 50% stake in the joint venture in 2013.

Nuage: The French word for cloud and the name of an Alcatel Lucent subsidiary (Nuage Networks) that focuses on primary SDN and network virtualization play.

Operating system (OS): Software that controls the basic operation of a computer or a mobile device, such as managing the processor and memory. The term is also often used to refer more generally to the software within a device, including, for instance, the user interface.

Operations Support Systems (OSS): A set of programs that help a communications service provider monitor, control, analyze and manage a telephone or computer network.

OZO: Virtual reality camera designed by Nokia Technologies for professional content creators.

Packet: Part of a message transmitted over a packet switched network.

Platform: Software platform is a term used to refer to an operating system or programming environment, or a combination of the two.

PND (Portable Navigation Device): A term used to describe portable devices or devices embedded in a vehicle that are used primarily for navigation. Smartphones and increasingly feature phones may include navigation functionalities, but are not generally referred to as PNDs.

PON (Passive Optical Network): A PON is a telecommunications network that uses point-to-multipoint fiber to the end-points in which unpowered optical splitters are used to enable a single optical fiber to serve multiple end-points.

Product and service incubation: A process set up to provide support for and accelerate the development of new business ideas in the fields of products and services.

Programmable World: Nokia's vision of the future; a world where connectivity will expand massively, linking people as well as hundreds of billions of physical objects—from cars, home appliances and smartphones, to wearables, industrial equipment and health monitors. What distinguishes the Programmable World from the Internet of Things is the intelligence that is added to data to allow people to interpret and use it, rather than just capture it.

SDN (Software Defined Networking): An approach to computer networking that decouples the network control and forwarding functions enabling the network control to become programmable and the underlying hardware to be abstracted.

SEPs (Standard-Essential Patents): Generally, patents needed to produce products which work on a standard, which companies declare as essential and agree to license on fair, reasonable and non-discriminatory (FRAND) terms.

Small cells: low-powered radio access nodes (micro cells or picocell) and are a vital element to handling very dense data traffic demands. 3G and LTE small cells use spectrum licensed by the operator; WiFi uses unlicensed spectrum which is therefore not under the operator's exclusive control.

TD-LTE Time Division Long Term Evolution, also known as **TDD (Time Division Duplex)**: An alternative standard for LTE mobile broadband networks. Time Division means that a single connection is used alternately to carry data from the base station to the mobile device (’downlink’) and then from the mobile device to the base station (’uplink’).

TD-SCDMA (Time Division Synchronous Code Division Multiple Access): An alternative 3G standard.

Technology Licensing: Generally refers to an agreement or arrangement where under certain terms a company provides another company with its technology and possibly know-how, whether protected by intellectual property or not, for use in products or services offered by the other company.

Telco Cloud: Applying cloud computing, SDN and NFV principles in telecommunications environment, e.g. separating application software from underlying hardware with automated, programmable interfaces while still retaining telecommunications requirements such as high availability and low latency.

Turnkey Solutions: A type of system that can be easily implemented into current business processes. A turnkey solution is immediately ready to use upon implementation and is designed to fulfill a certain process such as billing, website design, training or content management.

WCDMA (Wideband Code Division Multiple Access): A third-generation mobile wireless technology that offers high data speeds to mobile and portable wireless devices.

WDM (Wavelength-Division Multiplexing): In fiber-optic communications, WDM is a technology which multiplexes a number of optical carrier signals onto a single optical fiber by using different wavelengths (i.e., colors) of laser light. This technique enables bidirectional communications over one strand of fiber, as well as multiplication of capacity.

Wi-Fi: A technology enabling an electronic device to transfer data wirelessly over a network, including high-speed internet connections.

WiMAX (Worldwide Interoperability for Microwave Access): A technology of wireless networks that operates according to the 802.16 standard of the Institute of Electrical and Electronics Engineers (IEEE).

VoIP (Voice over Internet Protocol): Use of the Internet Protocol to carry and route two-way voice communications.

VoLTE (Voice over LTE): Based on the IP Multimedia Subsystem (IMS) network, with specific profiles for control and media planes of voice service on LTE defined by GSMA in PRD IR.92. This approach results in the voice service (control and media planes) being delivered as data flows within the LTE data bearer. This means that there is no dependency on (or ultimately, requirement for) the legacy circuit-switched voice network to be maintained. VoLTE has up to three times more voice and data capacity than 3G UMTS and up to six times more than 2G GSM.

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Annex A – Alcatel Lucent Disclosure

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Alcatel Lucent Annual Report (Form 20-F)

2014

Annual Report on Form 20-F

ALCATEL LUCENT

Alcatel·Lucent

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-11130

Alcatel·Lucent

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Republic of France

(Jurisdiction of incorporation or organization)

as of May 19, 2014,
148/152 route de la Reine
92100 Boulogne-Billancourt, France

(Address of principal executive offices)

Marisa BALDO
Telephone Number 33 (1) 55 14 10 10
Facsimile Number 33 (1) 55 14 14 05
148/152 Route de la Reine
92100 Boulogne-Billancourt FRANCE

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one ordinary share, nominal value €0.05 per share*	New York Stock Exchange

* Listed, not for trading or quotation purposes, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

2,820,432,270 ordinary shares, nominal value €0.05 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Note — checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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Selected financial data

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRS, as adopted by the European Union, differs in certain respects from the International Financial Reporting Standards issued by the International Accounting Standards Board. However, our consolidated financial statements presented in this document in accordance with IFRS would be no different if we had applied International Financial Reporting Standards issued by the International Accounting Standards Board.

On November 30, 2006, historical Alcatel and Lucent Technologies Inc. ("Lucent") completed a business combination pursuant to which Lucent became a wholly owned subsidiary of Alcatel and was renamed Alcatel-Lucent USA Inc.

As a result of the purchase accounting treatment of the Lucent business combination required by IFRS, our results for 2014, 2013, 2012, 2011 and 2010 included several negative, non-cash impacts of purchase accounting entries.

On September 30, 2014, we completed the disposal of 85% of our Enterprise business to China Huaxin, for cash proceeds of €205 million, following the binding offer we received early February 2014. As a result of this transaction, the results pertaining to the Enterprise business for the year ended December 31, 2014 were treated as discontinued operations and years ended December 31, 2013, 2012, 2011 and 2010 were re-presented accordingly.

1.1 Condensed consolidated income statement and statement of financial position data

	For the year ended December 31,					
(In millions, except per share data)	2014 (1)	2014	2013 (2)	2012 (2)	2011 (2)	2010 (2)
Income Statement Data						
Revenues	U.S.$15,947	€13,178	€13,813	€13,764	€14,637	€14,943
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	692	572	192	(480)	241	(59)
Restructuring costs	(695)	(574)	(518)	(479)	(202)	(360)
Impairment of assets	-	-	(548)	(894)	-	-
Income (loss) from operating activities	166	137	(739)	(1,636)	108	(355)
Income (loss) from continuing operations	(41)	(34)	(1,269)	(2,727)	287	(699)
Net income (loss)	(100)	(83)	(1,294)	(2,088)	709	(702)
Net income (loss) attributable to equity owners of the parent	(143)	(118)	(1,304)	(2,011)	660	(744)
Earnings per ordinary share (3)						
Net income (loss) before discontinued operations attributable to the equity owners of the parent per share						
• basic (4)	U.S.$(0.02)	€(0.02)	€(0.53)	€(1.11)	€0.10	€(0.31)
• diluted (5)	U.S.$(0.02)	€(0.02)	€(0.53)	€(1.11)	€0.09	€(0.31)
Dividend per ordinary share (6)	-	-	-	-	-	-
Dividend per ADS (5)	-	-	-	-	-	-

	At December 31,					
(In millions)	2014 (1)	2014	2013	2012	2011	2010 (2)
Statement of Financial Position Data						
TOTAL ASSETS	U.S.$25,969	€21,460	€21,896	€21,354	€24,196	€24,870
Marketable securities and cash and cash equivalents	6,716	5,550	6,355	4,929	4,472	5,688
Bonds, notes issued and other debt - long-term part	5,899	4,875	4,922	3,954	4,290	4,112
Current portion of long-term debt and short-term debt	486	402	1,240	851	323	1,262
Capital stock	171	141	140	4,653	4,651	4,637
Equity attributable to the equity owners of the parent after appropriation (7)	2,252	1,861	2,933	1,938	3,844	3,534
Non-controlling interests	1,008	833	730	745	747	660

(1) Translated solely for convenience into dollars at the noon buying rate of €1.00 = U.S.$1.2101 on December 31, 2014.

(2) 2013, 2012, 2011 and 2010 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9 to the consolidated financial statements for the year ended December 31, 2014).

(3) As a result of the 2013 capital increase made by us through 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.

(4) Based on the weighted average number of shares issued after deduction of the weighted average number of shares owned by our consolidated subsidiaries at December 31, without adjustment for any share equivalent:

– ordinary shares: 2,767,026,349 in 2014, 2,431,168,718 in 2013, 2,396,818,408 in 2012, 2,393,578,923 in 2011 and 2,388,138,857 in 2010.

(5) Diluted earnings per share takes into account share equivalents having a dilutive effect after deduction of the weighted average number of share equivalents owned by our consolidated subsidiaries. Net income is adjusted for after-tax interest expense related to our convertible bonds. The dilutive effect of stock option plans is calculated using the treasury stock method. The number of shares taken into account is as follows:

– ordinary shares: 2,767,026,349 in 2014, 2,431,168,718 in 2013, 2,396,818,408 in 2012, 2,701,421,886 in 2011 and 2,388,138,857 in 2010.

(6) Under French company law, payment of annual dividends must be made within nine months following the end of the fiscal year to which they relate. Our Board of Directors has announced that it will propose not to pay a dividend for 2014 at our Annual Shareholders' Meeting to be held on May 26, 2015.

(7) Amounts presented are net of dividends distributed. No dividend was proposed and distributed as of December 31, 2014, 2013, 2012, 2011 and 2010.

1.2 Exchange rate information

The table below shows the average noon buying rate of euro for each year from 2010 to 2014. As used in this document, the term "noon buying rate" refers to the rate of exchange for the euro, expressed in U.S. dollars per euro, as certified by the Federal Reserve Bank of New York for customs purposes or, from 2014, the European Central Bank fixing at 2:30 pm Paris time.

Year	Average rate (1)
2014	U.S.$1.3211
2013	U.S.$1.3303
2012	U.S.$1.2909
2011	U.S.$1.4002
2010	U.S.$1.3209

(1) The average of the noon buying rate for euro on the last business day of each month during the year.

The table below shows the high and low noon buying rates expressed in U.S. dollars per euro for the previous six months.

Period	High	Low
March 2015 (through March 17)	U.S.$1.1227	U.S.$1.0557
February 2015	U.S.$1.1447	U.S.$1.1240
January 2015	U.S.$1.2043	U.S.$1.1198
December 2014	U.S.$1.2537	U.S.$1.2141
November 2014	U.S.$1.2539	U.S.$1.2393
October 2014	U.S.$1.2823	U.S.$1.2524
September 2014	U.S.$1.3151	U.S.$1.2583

On March 17, 2015, the noon buying rate was €1.00 = U.S.$1.0635.

Activity overview

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The charts below set forth the three operating segments that comprised our organization: Core Networking, Access and Other. According to independent industry analysts, such as Dell'Oro, Infonetics, Ovum and others, in 2014, we were able to maintain or grow our market position in certain key next generation technologies such as IP services edge routing, very-high-bit-rate digital subscriber line (VDSL2) and IP Multimedia Subsystems (IMS).

2.1 Core Networking Segment

Our Core Networking segment includes three business divisions: IP Routing, IP Transport and IP Platforms. In 2014, revenues in our Core Networking segment were €5,966 million, representing 45% of our total revenues. Within Core Networking, IP Routing revenues were €2,368 million in 2014, representing 40% of segment revenues, IP Transport revenues were €2,114 million, representing 35% of segment revenues and IP Platforms revenues were €1,484 million, representing 25% of segment revenues.

IP Routing

Description	Activities	Market positions
We are a world leader and privileged partner of service providers, cable/multi-system operators (MSOs), large enterprises and vertical markets including transportation, energy, governments in transforming their networks to an all-IP (Internet Protocol) architecture.	We deliver IP routing, carrier ethernet, Network Functions Virtualization (NFV) and Software Defined Networking (SDN) applications and infrastructure required to meet the challenges of sustaining massive network traffic growth while supporting the efficient delivery of cloud-enabled business, mobile and residential services. Our technology allows our customers to create a more efficient network infrastructure that enables new services to enrich the end-user experience and create sustainable value.	• #2 in IP Services Edge Routing with 27% market share based on revenues in 2014 (1) • #2 in total routing (global) with 21% market share based on revenues in 2014 (1) • A total of more than 500,000 service router platforms shipped to over 650 service provider customers in 130 countries worldwide

(1) Industry analysts

IP Transport

Description	Activities	Market positions
As a leader in optical networking, we help more than 1,000 service providers, cable/MSOs, large enterprises and vertical markets including transportation, energy, governments and large enterprises to transform their optical transmission infrastructures, ensuring reliable transport of data at the lowest cost per bit and enabling new revenue generating services and applications.	We design, manufacture and market optical networking equipment to transport information over fiber optic connections over long distances on land (terrestrial) or under sea (submarine), as well as for short distances in metropolitan and regional areas. The portfolio also includes related professional services and microwave wireless transmission equipment.	• #4 in total optical networking with 12% market share based on revenues in 2014 (1) • Only vendor to ship 200G ports in 2014

(1) Industry analysts

IP Platforms

Description	Activities	Market positions
Our IP Platforms portfolio provides software and services offerings that allow service providers (as well as some web scale players and extra large enterprises) to deliver, manage, charge for, and optimize their customers voice and data communications services. Our products and services have the inherent capabilities that our customers need for creating a data-driven business that helps them meet growing demand profitably, enhances and expands the experience for their users, and increases the speed of innovation to address future revenue growth.	We offer software and services to our customers that allow them to meet the market evolution needs of mobile and fixed networks. Our products and solutions are focused on the areas most relevant to our customers: Advanced Communications, Network Function Virtualization (NFV), Customer Experience, Payment, Policy and Charging, Network Intelligence, Operations Support Systems, and related professional services.	• An IMS market leader with 115 IMS customer projects, including 45 with live commercial traffic. Leading the market in IMS VoLTE with 11 contracts and presence in every region, including the 2 largest VoLTE networks in North America, and the #1 share of VoLTE licenses shipped. (1)(2) • Approximately 100 Subscriber Data Management deployments with over one billion subscribers (1) • Over 600 Motive Customer Experience Management deployments worldwide to fulfill, optimize and protect customer experiences (1) • CloudBand has been involved in 26 NFV customer projects, including 4 commercial commitments: 3 with service providers and 1 with a government customer

(1) Alcatel-Lucent estimate
(2) Industry analysts

2.2 Access Segment

Our Access segment includes four business divisions: Wireless, Fixed Access, Licensing and Managed Services. In 2014, revenues in our Access segment were €7,157 million, representing 54% of our total revenues. Within Access, Wireless revenues were €4,685 million in 2014, representing 65% of segment revenues, Fixed Access revenues were €2,048 million, representing 29% of segment revenues, Managed Services revenues were €369 million, representing 5% of segment revenues and Licensing revenues were €55 million, representing 1% of segment revenues.

Wireless

Description	Activities	Market positions
We are one of the world's leading suppliers of wireless communications infrastructure across a variety of technologies. Our focus is on delivering high capacity, next generation wireless access for our customers to enable them to capture quickly and cost-effectively, the increasing demand for mobile broadband services.	We are committed to a wireless access portfolio that is best suited to the worldwide operators that are moving to 4G/LTE quickly and decisively. As such, our primary activities focus on delivering 4G/LTE overlay solutions, 3G/4G and multi-standard small cell solutions along with related professional services. Our wireless access portfolio also includes 2G/3G wireless products and related professional services as well as our Radio Frequency Systems (RFS) portfolio.	• #4 in Total Wireless Radio Access Networks (RAN) with 12% market share based on revenues in 2014 (1) • #4 in LTE with 14% market share based on revenues in 2014 (1) • Small cell industry leader with 76 customer contracts through the end of 2014 (1)

(1) Industry analysts

Fixed access

Description	Activities	Market positions
We are a worldwide leader in the fixed broadband access market, supporting the largest deployments of video, voice and data services over broadband. We are the largest global supplier of digital subscriber line (or DSL) technology, the second largest supplier of GPON technology and a leader in VDSL2 Vectoring [(1)].	Our family of IP-based fixed access products and related professional services provides support for both DSL and fiber, allowing service providers to extend Ultra-Broadband access to the customer's premise regardless of technology and to seamlessly combine copper and fiber access technologies and FTTx deployment models to achieve the fastest return-on-investment and time-to-market.	• #1 in broadband access with 42% DSL market share based on ports shipped in 2014 [(1)] • #1 in very-high-bit-rate digital subscriber line (VDSL2) with 45% market share based on ports shipped in 2014. We currently have 28 contracts and over 65 trials for VDSL2 Vectoring and shipped over 10 million VDSL2 Vectoring lines [(1)(2)] • #3 in gigabit passive optical network (GPON) technology based on ports shipped with 22% market share in 2014 [(1)]

(1) Industry analysts

(2) Alcatel-Lucent estimate

Licensing

Description	Activities	Market positions
We are one the largest patent owners in the telecommunications industry. While we have particular strengths in the wireless, optical, and data networking segments, our patents cover a diverse range of technologies.	The Intellectual Property Business Group works to monetize our patent portfolio through licensing and patent sales while also maintaining and prosecuting patents.	• Over 33,000 active patents worldwide • Over 3,000 newly granted patents in 2014 • Over 15,000 pending patent applications

Managed services

Description	Activities	Market positions
We are a leader in providing innovative managed services solutions in both the carrier and strategic industries markets. Our solutions help customers by delivering accelerated time to market, continuous improvement in service quality and a sustainable lower total cost of operations.	Our managed services portfolio includes Build-Operate-Manage-Transfer (BOMT) Solutions, Operations Transformation Solutions, and Network Operations Services. These services can be delivered across a wide array of network technologies including Network Access (FTTx), next generation wireless (LTE, Small Cells, 4G), and IP networks. And we are evolving our portfolio to address the new dynamics of the technology evolution for covering Cloud / NFV developments with our product business lines.	• Managed Services contracts in approximately 80 networks that cover over 200 million subscribers [(1)]

(1) Alcatel-Lucent estimate

2.3 Other Segment

Our Other segment included our Government business, which builds and delivers complete turnkey solutions in support of U.S. Federal government agencies in the US. On March 31, 2014, we 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. Revenues in our Other segment were €41 million, representing less than 1% of our total revenues.

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Risk factors

Our business, financial condition or results of operations could suffer material adverse effects due to any of the following risks. We have described the specific risks that we consider material to our business but the risks described below are not the only ones we face. We do not discuss risks that would generally be equally applicable to companies in other industries, due to the general state of the economy or the markets, or other factors. Additional risks not known to us or that we now consider immaterial may also impair our business operations.

3.1 Risks relating to the business

The Shift Plan may not yield intended results, and we may not be able to transform ourselves successfully into a cash generative business.

The goal of The Shift Plan is to transform our Company into an IP and cloud networking and ultra-broadband specialist refocused on innovation, transformation and unlocking growth to become a cash generative business from 2015. The Shift Plan contemplates, among other things, fixed cost savings of €950 million in 2015 compared to our 2012 cost base (at constant exchange rates) and €1 billion of cash generated from 2013 through 2015 as a result of asset dispositions, as well as our debt reprofiling by €2 billion and a reduction in our overall level of debt by €2 billion. While we believe that successful implementation of The Shift Plan is critical to our business and our ability to transform into a cash generative business, our ability to achieve the goals set out in The Shift Plan (described in Section 6.6 "Strategy and Outlook") depends on a number of factors, many of which are beyond our control. These goals are also based on assumptions with respect to the future business environment and/or decisions that are subject to change.

Factors that may prevent a successful implementation of The Shift Plan and achievement of the goals underlying The Shift Plan include the following:

- our expectations with respect to market growth, customer demand and other trends in the industry in which we operate, as well as our ability to benefit from these trends, may prove to be inaccurate, and changes in the global economy may impact our ability to implement The Shift Plan;
- in a highly competitive market, our ability to successfully develop new and improve existing products, market our products to new or existing customers, enter new markets and otherwise grow our businesses as contemplated may fall short of targets, and we may not be able to successfully or completely transform ourselves into an IP and cloud networking and ultra-broadband specialist within the timeframe contemplated by The Shift Plan;
- organizational changes related to the implementation of The Shift Plan require the alignment and adjustment of resources, systems and tools, which if not completed in a structured manner could impact our ability to achieve goals contemplated by The Shift Plan;
- our projected cost savings and ability to achieve the efficiencies contemplated by The Shift Plan may fall short of our targets or otherwise not occur;
- the costs to effect the initiatives contemplated by The Shift Plan may exceed our estimates, and we may not be able to realize the cash inflows we target under The Shift Plan, including if disposals expected in connection with The Shift Plan do not yield the level of net proceeds expected;
- our costs savings initiatives, including in research and development, may negatively affect our ability to develop new or improve existing products and compete effectively in certain markets, and there is no guarantee that we will continue to be able to successfully innovate or remain technologically competitive within the key markets contemplated by The Shift Plan;
- we may not be able to successfully monetize our patent portfolio, as a result of changing technologies or otherwise;
- we may not realize the benefits of The Shift Plan through the end of 2015, and we may not realize such benefits until after 2015 or at all;
- many of the initiatives we are contemplating require us to inform and consult with employees and labor representatives, and such processes may influence the timing, costs, extent of expected savings and even the feasibility of certain of the initiatives contemplated by The Shift Plan; and
- some skilled employees may leave our Group in connection with the initiatives contemplated by The Shift Plan, and loss of their expertise may limit our ability to achieve the goals contemplated by The Shift Plan.

While we intend to implement The Shift Plan, there can be no assurance that we will be able to do so successfully or that we will realize the projected benefits and other cost saving initiatives. In addition, there can be no assurance that The Shift Plan will not change in the future if the management team determines to make such changes. Any changes in The Shift Plan may decrease our ability to realize the projected benefits or cost savings of The Shift Plan on the time line contemplated by it.

If we are unable to realize the projected benefits or cost savings contemplated by The Shift Plan, it may negatively impact our reputation or have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, the continued efforts to implement The Shift Plan and the cost saving initiatives may divert management attention from the rest of the business and adversely affect our business.

The telecommunications industry fluctuates and is affected by many factors, including the economic environment, decisions by service providers and other customers that buy our products and services regarding their deployment of technology and their timing of purchases and roll-out, as well as demand and spending for communications services by businesses and consumers.

Spending trends in the global telecommunications industry were mixed in 2014 where the continued growth in smartphone penetration, mobile data and all-IP network transformation led to increased spending in IP and ultra-broadband access technologies, including certain regional growth in 4G LTE wireless technologies, mainly the United States and China, while other regions and countries such as Europe started to show signs of improvement as the year came to an end. Actual market conditions could be very different from what we expect and are planning for due to the uncertainty that exists about the recovery in the global economy. Moreover, market conditions could vary geographically and across different technologies, and are subject to substantial fluctuations. Conditions in the specific industry segments in which we participate may be weaker than in other segments. In that case, the results of our operations may be adversely affected.

If capital investment by service providers and other customers that buy our products and services is weaker than we anticipate, our revenues and profitability may be adversely affected. The level of demand by service providers and other customers that buy our products and services can change quickly and can vary over short periods of time, including from month to month. As a result of the uncertainty and variations in the telecommunications industry, accurately forecasting revenues, results and cash flow remains difficult.

In addition, our sales volume as well as product and geographic mix will affect our gross margin. Therefore, if reduced demand for our products results in lower than expected sales volume, or if we have an unfavorable product or geographic mix, we may not achieve the expected gross margin, resulting in lower than expected profitability. These factors may fluctuate from quarter to quarter.

Our business requires a significant amount of cash, and we may require additional sources of funds if our sources of liquidity are unavailable or insufficient to fund our operations.

Our working capital requirements and cash flows historically have been, and they are expected to continue to be, subject to quarterly and yearly fluctuations, depending on a number of factors. If we are unable to manage fluctuations in cash flow, our business, operating results and financial condition may be materially adversely affected. Factors which could lead us to suffer cash flow fluctuations include:

- the level of sales and profitability;
- the effectiveness of inventory management;
- the collection of receivables and the payment terms variations;
- the timing and size of capital expenditures;
- costs associated with potential restructuring actions; and
- customer credit risk.

Over time, we may derive our capital resources from a variety of sources, including the generation of positive cash flow from on-going operations, proceeds from asset sales, the issuance of debt and equity in various forms and credit facilities, including our €504 million revolving credit facility which was undrawn as of December 31, 2014. Our ability to continue to draw upon these resources is dependent upon a variety of factors, including our customers' ability to make payments on outstanding accounts receivable, who may ask for extended payment terms during the year; the perception of our credit quality by lenders and investors; the debt and equity market conditions generally, and our compliance with the terms of our debt indentures. Given current conditions, access to the debt and equity markets may not be relied upon at any given time. Based on our current view of our business and capital resources and the overall market environment, we believe we have sufficient resources to fund our operations for the next twelve months. If, however, the business environment were to materially worsen, or the credit markets were to limit our access to bid and performance bonds, or our customers were to dramatically pull back on their spending plans, our liquidity situation could deteriorate. If we cannot generate sufficient cash flow from operations to meet cash requirements in excess of our current expectations, we might be required to obtain supplemental funds through additional operating improvements or through further recourse to external sources, such as capital market proceeds, asset sales or financing from third parties, beyond those funds already obtained or contemplated to be obtained through the implementation of The Shift Plan. We cannot provide any assurance that such funding will be available on terms satisfactory to us. If we were to incur higher levels of debt, this would require a larger portion of our operating cash flow to be used to pay principal and interest on our indebtedness. The increased use of cash to pay indebtedness could leave us with insufficient funds to finance our operating activities, such as Research and Development expenses and capital expenditures, which could have a material adverse effect on our business.

Our ability to have access to the capital markets and our financing costs is, in part, dependent on Standard & Poor's, Moody's or similar agencies' ratings with respect to our debt and corporate credit and their outlook with respect to our business. Our current short-term and long-term credit ratings, as well as any possible future lowering of our ratings, may result in higher financing costs and reduced access to the capital markets. We cannot provide any assurance that our credit ratings will continue to be sufficient to give us access to the capital markets on acceptable terms, or that such credit ratings will not be reduced by Standard & Poor's, Moody's or similar rating agencies.

Credit and commercial risks and exposures could increase if the financial condition of our customers declines.

A substantial portion of our sales are to customers in the telecommunications industry. Some of these customers require their suppliers to provide extended payment terms, direct loans or other forms of financial support as a condition to obtaining commercial contracts. We have provided and in the future we expect that we will provide or commit to provide financing where appropriate for our business. Our ability to arrange or provide financing for our customers will depend on a number of factors, including our credit rating, our level of available credit, and our ability to sell off commitments on acceptable terms. More generally, we expect to routinely enter into long-term contracts involving significant amounts to be paid by our customers over time. Pursuant to these contracts, we may deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and our commercial risk exposure under long-term contracts, our business could be adversely affected if the financial condition of our customers erodes. In the past, certain of our customers have sought protection under the bankruptcy or reorganization laws of the applicable jurisdiction, or have experienced financial difficulties. We cannot predict how that situation may evolve in 2015, when we expect uncertain economic conditions to continue. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

Our financial condition and results of operations may be harmed if we do not successfully reduce market risks, including through the use of derivative financial instruments.

Since we conduct operations throughout the world, a substantial portion of our assets, liabilities, revenues and expenses are denominated in various currencies other than the euro and the U.S. dollar. Because our financial statements are denominated in euros, fluctuations in currency exchange rates, especially the U.S. dollar, or currencies linked to the U.S. dollar, against the euro, could have a material impact on our reported results on a quarterly or annual basis.

We also experience other market risks, including changes in interest rates and in prices of marketable securities that we own. We may use derivative financial instruments to reduce certain of these risks. If our strategies to reduce market risks are not successful, our financial condition and operating results may be harmed.

An impairment of other intangible assets or goodwill would adversely affect our financial condition or results of operations.

We have a significant amount of goodwill and intangible assets, including acquired intangibles, development costs for software to be sold, leased or otherwise marketed and internal use software development costs, notably in connection with the combination between Alcatel and Lucent. Goodwill and intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, or more often, if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever events such as product discontinuances, plant closures, product dispositions or other changes in circumstances indicate that the carrying amount may not be wholly recoverable.

Historically, we have recognized significant impairment charges due to various reasons, including some of those noted above as well as restructuring actions such as The Shift Plan or adverse market conditions that are either specific to us or the broader telecommunications industry or more general in nature.

More details on past impairment charges can be found in Note 2c to our consolidated financial statements.

If any material unfavorable change in any of the key assumptions used to determine the recoverable value of our Product Divisions, notably those derived from The Shift Plan, as described in Chapter 6 "Presentation of Financial Information", under the heading "Critical Accounting Policies", were to occur, additional impairment charges may be incurred in the future that could be significant and that could have an adverse effect on our results of operations or financial condition.

We operate in a highly competitive industry with many participants. Our failure to compete effectively would harm our business.

We operate in a highly competitive environment in each of our businesses, competing on the basis of product offerings, technical capabilities, quality, service and pricing. Competition for new service provider and enterprise customers as well as for new infrastructure deployments is particularly intense and increasingly focused on price. We offer customers and prospective customers many benefits in addition to competitive pricing, including strong support and integrated services for quality, technologically-advanced products; however, in some situations, we may not be able to compete effectively if purchasing decisions are based solely on the lowest price.

We have a number of competitors, many of which currently compete with us and some of which are very large, with substantial technological and financial resources and established relationships with global service providers. Some of these competitors have very low cost structures, which allow them to be very competitive in terms of pricing. In addition, new competitors may enter the industry as a result of acquisitions or shifts in technology. These new competitors, as well as existing competitors, may include entrants from the telecommunications, computer software, computer services and data networking industries. We cannot assure you that we will be able to compete successfully with these companies. Competitors may be able to offer lower prices, additional products or services or a more attractive mix of products or services, or services or other incentives that we cannot or will not match or offer. These competitors may be in a stronger position to respond quickly to new or emerging technologies and may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to customers, prospective customers, employees and strategic partners.

Technology drives our products and services. If we fail to keep pace with technological advances in the industry, or if we pursue technologies that do not become commercially accepted, customers may not buy our products or use our services.

The telecommunications industry uses numerous and varied technologies and large service providers often invest in several and, sometimes, incompatible technologies. The industry also demands frequent and, at times, significant technology upgrades. Furthermore, enhancing our services revenues requires that we develop and maintain leading tools. We will not have the resources to invest in all of these existing and potential technologies. As a result, we concentrate our resources on those technologies that we believe have or will achieve substantial customer acceptance and in which we will have appropriate technical expertise. However, existing products often have short product life cycles characterized by declining prices over their lives. In addition, our choices for developing technologies may prove incorrect if customers do not adopt the products that we develop or if those technologies ultimately prove to be unviable. Our revenues and operating results will depend, to a significant extent, on our ability to maintain a product portfolio and service capability that is attractive to our customers; to enhance our existing products; to continue to introduce new products successfully and on a timely basis and to develop new or enhance existing tools for our services offerings.

The development of new technologies remains a significant risk to us, due to the efforts that we still need to make to achieve technological feasibility, due – as mentioned above – to rapidly changing customer markets; and due to significant competitive threats.

Our failure to bring these products to market in a timely manner could result in a loss of market share or a lost opportunity to capitalize on new markets for emerging technologies, and could have a material adverse impact on our business and operating results.

We depend on a limited number of internal and external manufacturing organizations, distribution centers and suppliers. Their failure to deliver or to perform according to our requirements may adversely affect our ability to deliver our products, services and solutions on time and in sufficient volume, while meeting our quality, safety or security standards.

Our manufacturing strategy is built upon two primary sources of production: predominantly, external manufacturing suppliers, and also internal manufacturing locations. When we resort to external manufacturing, the primary owner of inventory, standard manufacturing equipment and common test equipment is the external manufacturer, but in the vast majority of cases we own the custom-made test equipment, which would allow us to change manufacturing locations more easily if this became necessary. The manufacturing equipment and common and custom-made test equipment in our internal manufacturing locations are owned by us.

Our business continuity plans also involve the implementation of a regional sourcing strategy where economically feasible, to ensure there is a supply chain to support and optimize our supply and delivery within the given region. For both our internal and external manufacturing locations such plans include the capability to move to alternate locations for production in case of a disruption at a given facility. In addition, we perform audits in all facilities, internal and external, to identify the actions required to reduce our overall business disruption risk.

However, despite the above measures, in the event of a disruptive event we may not be able to mitigate entirely the disruption risks for all of our products and, depending on the nature of such event, we may be required to prioritize our manufacturing and as a result, the supply of some of our products may be more affected than that of others.

Sourcing strategies are developed and updated annually to identify primary technologies and supply sources used in the selection of purchased components, finished goods, services and solutions. We multisource a large number of component and material families that are standard for the industry to the largest extent possible. For a number of components and finished goods families, we use multiple, predefined sources which allow us to have access to additional inventories in case of a disruptive event or to satisfy increased end customer demand. On the other hand, supply chain risks may arise with respect to components that are single-sourced or that have a long lead-time for a variety of reasons, such as non-forecasted upside demand, unusual allocation of components to competitors leading to shortages, discontinuance by the supplier, quality problems, etc, that may have an adverse impact on our ability to deliver our products. In addition, for certain specific parts, an alternative source may not be technologically feasible. In addition to the multisource strategy, we further seek to mitigate sourcing disruptions by concentrating the supplier base for new products and for volume production among a group mostly made of "preferred" suppliers who satisfy our requirements. These preferred suppliers are under quality and performance monitoring, and are subject to periodic business review and executive management meetings.

Despite the steps we have taken with respect to our manufacturing and sourcing strategies, our business continuity plans and our logistics network, we can provide no assurance that such steps will be sufficient to avoid any disruption in the various stages of our supply chain. A disruption in any of those stages may materially adversely affect our ability to deliver our products, services and solutions on time and in sufficient volume, while meeting our quality, safety or security standards.

We are in the process of outsourcing a significant portion of our finance and human resources (HR) processes and services, increasing our dependence on the reliability of external providers. Interruptions in the availability of these processes and services could have a material adverse impact on the responsiveness and quality of these processes and services that are crucial to our business operations, and on our future ability to adapt to changing business needs.

Due to the customized nature of the services outsourced in the area of finance and HR, a failure to structure an efficient relationship with the outsourcing company we have selected may lead to on-going operational problems or even to severe business disruptions. In addition, as management's focus shifts from a direct to an indirect operational control in these areas, there is a risk that without active management and monitoring of the relationship, the services provided may be below appropriate quality standards. There is the added risk that the outsourcing company may not meet the agreed service levels, in which case, depending on the impacted service, the contractual remedies may not fully cure all of the damages we may suffer. This is particularly true for any deficiencies that would impact the reporting requirements applicable to us as a company listed on Euronext NYSE in Paris and the NYSE in New York.

In order to implement this outsourcing, changes in our business practices and processes will be required to capture economies of scale and operational efficiencies, and to reflect a different way of doing business. Consequently, business processes that were customized for individual business units or for the Group will be converted to a more standardized format. During the transition to outsourcing, our employees will need to train the outsourcing company's staff or get trained on the outsourcing company's systems, potentially resulting in the distraction of our human resources. Adjustments to staff size and transfer of employees to the outsourcing companies could impact morale and raise complex labor law issues, which we would seek to address, but the adverse effects of which might impact the business case for this outsourcing. If inadequately handled, the transition may result in the loss of certain personnel who are highly skilled and familiar with our practices and requirements.

There is also a risk that, in spite of our independent validation of the control procedures, we may not be able to determine whether controls have been effectively implemented, and whether the outsourcing company's performance monitoring reports are accurate. Concerns equally could arise from giving third parties access to confidential data, strategic technology applications, and the books and records of the Group.

In the longer term, this type of organization potentially creates a dependency on the outsourcing company. This dependency may increase over time, since our ability to learn from day-to-day responsibilities and hands-on experience, and from responding to changing business needs, may be diminished.

Although we have selected a reputable company to provide the outsourced finance and HR services, and are working closely with it to identify risks and implement measures to minimize them, we cannot give assurances that the availability of the processes and services upon which we rely will not be interrupted, which could result in a material adverse impact on our business operations, in particular during the transition phase. Recurring performance problems may result in missed reporting deadlines, financial losses, missed business opportunities and reputational concerns. We have made significant progress in the transition of these services, and to-date have not experienced any issue with respect to the continuation of service.

Information system risks, data protection breaches, cyber-attacks and industrial espionage may result in unauthorized access to or modification, misappropriation or loss of, the intellectual property and confidential information that we own or that has been entrusted to us by third parties as well as interruptions to the availability of our systems or the systems that we manage for third parties.

Valuable intellectual property essential to our business operations and competitiveness, as well as other confidential and proprietary information (our own and that of customers, suppliers and other third parties including our customers' end user customers) are stored in or accessible through our information systems, a large part of which is managed by a third party to whom we have outsourced a significant portion of our IT operations, as well as through the network and information systems that we manage for or sell to third parties or for whose security and reliability we may otherwise be accountable. Unauthorized access to or modification, misappropriation or loss of, such information could have a material adverse impact on our business and results of operations. As we expand our use of cloud-based providers and services, the amount of information outside of our direct control increases, resulting in increasing risk. Also, increased business activities such as divestitures, outsourcing and downsizing raises the likelihood that critical information could be compromised by external or internal factors.

Unauthorized third parties have targeted our information systems, using sophisticated attempts, referred to as advanced persistent threats, "phishing" and other attacks. Such attempts to access our information systems have been successful on one occasion in 2013 and, as the overall number of attacks grows around the world and more specifically in our industry, on two occasions in 2014. We investigated the impact of these attacks. With respect to the attacks in 2013 and 2014, although we have no reason to believe that sensitive information was actually compromised, we are not in a position to be conclusive, as the investigations showed that some data were extracted. We continue to take corrective actions that we believe will substantially mitigate the risk that such attacks will materially impact our business or operations, or that of our customers. However, we cannot rule out that there may have been other cyber-attacks that have been successful and/or not detected. Our business is also vulnerable to theft, fraud, trickery or other forms of deception, sabotage and intentional acts of vandalism by third parties as well as employees.

We have procedures in place for responding to known or suspected data breaches. In addition, we conduct periodic assessments of our system vulnerabilities and the effectiveness of our security protections and have undertaken and will continue to undertake information security improvement programs ourselves and in coordination with our suppliers and business partners. We are also increasing the resources allocated in this area. However, there is no guarantee that our existing procedures or the improvement programs will be sufficient to prevent future security breaches or cyber attacks. In addition, as we have outsourced a significant portion of our information technology operations and other operations, we are also subject to vulnerabilities attributable to such third parties. Information technology is rapidly evolving, the techniques used to obtain unauthorized access or sabotage systems change frequently and the parties behind cyber attacks and other industrial espionage are believed to be sophisticated and well funded, and it is not commercially or technically feasible to mitigate all known vulnerabilities in a timely manner or to eliminate all risk of cyber attacks and data breaches. Unauthorized access to or modification, misappropriation or loss of, our intellectual property and confidential information could result in litigation and potential liability to customers, suppliers and other third parties, harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or damage our brand and reputation, which could materially adversely affect our business, results of operations or financial condition. In addition, the cost and operational consequences of implementing further information system protection measures could be significant. We may not be successful in implementing such measures, which could cause business disruptions and be more expensive, time consuming and resource-intensive. Such disruptions could adversely impact our business.

Because our business operations, including those we have outsourced, rely on our complex IT systems and networks (and related services), our reliance on the precautions taken by external companies to insure the reliability of our and their IT systems, networks and related services is increasing.

Despite these precautions, our business is susceptible to disruption from IT equipment failure, vandalism, cyber attacks, natural disasters, power outages and other events affecting the IT systems, networks and related services we manage, as well as third party systems. Although we have selected reputable companies to provide outsourced IT systems and services, and have worked closely with them to identify risks and implement countermeasures and controls, we cannot be sure that interruptions will not occur in the availability of the IT systems and services upon which we rely, with material adverse impacts on our business operations.

Many of our current and planned products are highly complex and may contain defects or errors that are detected only after deployment in telecommunications networks. If that occurs, our reputation may be harmed.

Our products are highly complex, and we cannot assure you that our extensive product development, manufacturing and integration testing is, or will be, adequate to detect all defects, errors, failures and quality issues that could affect customer satisfaction or result in claims against us. As a result, we might have to replace certain components and/or provide remediation in response to the discovery of defects in products that have been shipped.

The occurrence of any defects, errors, failures or quality issues could result in cancellation of orders, product returns, diversion of our resources, legal actions by customers or customers' end users and other losses to us or to our customers or end users. These occurrences could also result in the loss of or delay in market acceptance of our products, in the loss of sales, or in the need to create provisions, which would harm our business and adversely affect our revenues and profitability. From time to time, we have experienced such occurrences.

Rapid changes to existing regulations or technical standards or the implementation of new regulations or technical standards for products and services not previously regulated could be disruptive, time-consuming and costly to us.

We develop many of our products and services based on existing regulations and technical standards, our interpretation of unfinished technical standards or the lack of such regulations and standards. Changes to existing regulations and technical standards, or the implementation of new regulations and technical standards relating to products and services not previously regulated, could adversely affect our development efforts by increasing compliance costs and causing delay. Demand for those products and services could also decline.

Our ten largest customers accounted for 54% of our revenues in 2014 (among which Verizon, AT&T and Sprint represented 14%, 11% and 10% of our revenues, respectively), and most of our revenues come from telecommunications service providers. The loss of one or more key customers, or reduced spending by these service providers, or inability to expand and diversify our customer base to non service providers could significantly reduce our revenues, profitability and cash flow.

Our ten largest customers accounted for 54% of our revenues in 2014 (among which Verizon, AT&T and Sprint represented 14%, 11% and 10% of our revenues, respectively). As service providers increase in size, it is possible that an even greater portion of our revenues will be attributable to a smaller number of large service providers going forward. Our existing customers are typically not obliged to purchase a fixed amount of products or services over any period of time from us and usually have the right to reduce, delay or even cancel previous orders, which could impact revenues from one reporting period to the next. We, therefore, have difficulty projecting future revenues from existing customers with certainty. Although historically our customers have not made sudden supplier changes, our customers could vary their purchases from period to period, even significantly. Combined with our reliance on a small number of large customers, this could have an adverse effect on our revenues, profitability and cash flow. In addition, our concentration of business in the telecommunications service provider industry makes us extremely vulnerable to a downturn or delays in spending in that industry. Although as part of The Shift Plan, we are focusing on expanding and diversifying our customer base to new emerging customer segments such as cable service providers, web-scale, large tech enterprises or vertical businesses, which are also investing in carrier-grade networks we may not succeed in achieving such expansion and diversification.

We have long-term sales agreements with a number of our customers. Some of these agreements may prove unprofitable as our costs and product mix shift over the lives of the agreements.

We have entered into long-term sales agreements with a number of our large customers, and we expect that we will continue to enter into long-term sales agreements in the future. Some of these existing sales agreements require us to sell products and services at fixed prices over the lives of the agreements, and some require, or may in the future require us to sell products and services that we would otherwise discontinue, thereby diverting our resources from developing more profitable or strategically important products. Since The Shift Plan entails a streamlined set of product offerings, it may increase the likelihood that we may have to sell products that we would otherwise discontinue. The costs incurred in fulfilling some of these sales agreements may vary substantially from our initial cost estimates. Any cost overruns that cannot be passed on to customers could adversely affect our results of operations.

We have significant international operations and a significant amount of our revenues is earned in emerging markets and regions.

In addition to the currency risks described elsewhere in this section, our international operations are subject to a variety of risks arising out of the economy, the political outlook and the language and cultural barriers in countries where we have operations or do business. We expect to continue expanding business in emerging markets in Asia, Africa, Middle East, Latin America and Eastern Europe. In many of the countries in these emerging markets, we may be faced with several risks that are more significant than in other countries. These risks include economies that may be dependent on only a few products and are therefore subject to significant fluctuations, weak legal systems which may affect our ability to enforce contractual rights, possible exchange controls, international trade restrictions, unstable governments and privatization actions or other government actions affecting the flow of goods and currency. Also, it is possible that political developments in certain countries in the Middle East and North Africa and other countries, may have, at least temporarily, a negative impact on our operations in those countries, with an increased risk of heightened conflicts and terrorism. For this reason, we may not be potentially able to enter into, manage or terminate contracts for a particular country or to work in a particular country during a period of time.

The Group's U.S. pension and post-retirement benefit plans are large and have funding requirements that fluctuate based on how their assets are invested, the performance of financial markets worldwide, interest rates, assumptions regarding the life-expectancy of covered employees and retirees, medical price increases, and changes in legal requirements. Even if these plans are currently fully funded, they are costly, and our efforts to satisfy further funding requirements or control these costs may be ineffective.

Many former and current employees and retirees of the Group in the U.S. participate in one or more of our major defined benefit pension and welfare benefit plans that provide post-retirement pension, healthcare, and group life benefits. Such defined benefit pension and welfare benefit plans have funding requirements based on a variety of criteria, including asset allocation, performance of financial markets, interest rates, assumptions regarding life expectancy, medical prices, and changes in legal requirements. To the extent that any of the aforementioned criteria or other criteria change, funding requirements of our major defined benefit pension plans may increase. We may be unsuccessful in our ability to control costs resulting from the increased funding requirements, and such inability to control costs could materially adversely impact our results of operations or financial position.

Volatility in discount rates and asset values will affect the funded status of our pension plans.

For purposes of calculating our funding requirements for our U.S. pension plans, the U.S. Internal Revenue Code (the "Code") provides a number of methods to use for measuring plan assets and for determining the discount rate to be applied. 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 a prior period of time not to exceed two years, with the valuation date as the last date in the prior period). For determining the discount rate, we can opt for the spot discount rate at the valuation date (effectively, the average yield curve of the daily rates for the month preceding the valuation date) or a 24-month average of the rates for each time segment (any 24-month period as long as the 24-month period ends no later than five months before the valuation date). To measure the 2013 funding valuation, we selected the two-year asset fair value smoothing method for the U.S. management pension plan and U.S. occupational pension plans. The Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted on July 6, 2012 and thereafter modified and extended by The Highway and Transportation Funding Act (HATFA), enacted on August 8, 2014, affects U.S. tax-qualified pension plan funding requirements for plans that use time segment interest rates for measuring plan liabilities for regulatory funding purposes. For such plans, MAP-21, as modified and extended by HATFA, stabilizes such interest rates by establishing "corridors" around a 25-year average rate. MAP-21, as modified and extended by HATFA, is applicable to the Group's U.S. management and active occupational pension plans, which use time segment interest rates for purposes of determining regulatory funding requirements, but not to the U.S. inactive occupational pension plan which uses a full yield curve for such purposes. For the U.S. management and active occupational pension plans, MAP-21, as modified and extended by HATFA, increases the interest rates used for regulatory funding purposes. A preliminary assessment of those plans under HATFA suggests no required funding contribution through at least 2017. Although MAP-21, as modified and extended by HATFA, 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.

Pension and post-retirement health plan participants may live longer than has been assumed, which would result in an increase in our benefit obligation.

For pension funding purposes, we use the mortality table issued by the Internal Revenue Service (IRS) which includes fifteen years of projected improvements in life span for active and former employees not yet receiving pension payments, and seven years for retirees receiving payments. For accounting purposes, we used the RP-2000 Combined Health Mortality table with Generational Projection based on the U.S. Society of Actuaries Scale AA until September 30, 2014. 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 tables determine the period of time over which we assume that benefit payments will be made. The longer the period, the larger the benefit obligation and the amount of assets required to cover that obligation.

To estimate our future U.S. retiree healthcare plan obligations, we used the same RP-2000 Combined Health Mortality table with Generational Projection based on the U.S. Society of Actuaries Scale AA that we used for pension funding purposes until September 30, 2014. Starting December 31, 2014, we similarly 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. As with pension benefits, longer lives of our participants would likely increase our retiree healthcare benefit obligation. We cannot be certain that the longevity of our participants in our retiree healthcare plans or pension plans will not exceed that indicated by the mortality tables we currently use, or that future updates to these tables will not reflect materially longer life expectancies.

The new mortality rates (RP-2014 White Collar and Blue Collar) and new mortality improvement scale (MP-2014) were published by the U.S. Society of Actuaries on October 27, 2014. Because at that time the IRS (which oversees regulatory funding requirements for U.S. tax-qualified plans) had already issued its mortality assumptions for the 2015 plan year, the new assumptions are not expected to become effective for regulatory funding purposes before at least the 2016 plan year.

We may not be able to fund the healthcare and group life insurance costs of our formerly represented retirees with excess pension assets in accordance with Section 420 of the U.S. Internal Revenue Code.

We are currently funding, and expect to continue to fund, our current healthcare and group life insurance costs for retirees who were represented by the Communications Workers of America and the International Brotherhood of Electrical Workers with transfers of excess pension assets from our U.S. inactive occupational pension plan. Excess assets are defined by Section 420 of the Code as being those assets in excess of either 120% or 125% of the plan's funding obligation (without the application of MAP-21 or HATFA), depending on the type of transfer selected. Based on current actuarial assumptions and based on the present level and structure of benefits, we believe that we can continue to fund healthcare and group life insurance for retirees who were represented by the Communications Workers of America and the International Brotherhood of Electrical Workers through Section 420 transfers from our U.S. inactive occupational pension plan. However, a deterioration in the funded status of that plan could negatively impact our ability to make future Section 420 transfers. Section 420 is currently set to expire on December 31, 2021.

Healthcare cost increases and an increase in the use of services may significantly increase our retiree healthcare costs.

Our current healthcare plans cap the subsidy we provide to those persons who retired after February 1990 and all future retirees, representing almost half of the retiree healthcare obligation, on a per capita basis. We may take steps in the future to reduce the overall cost of our current retiree healthcare plans, and the share of the cost borne by us, consistent with legal requirements and any collective bargaining obligations. However, cost increases may exceed our ability to reduce these costs. In addition, the reduction or elimination of U.S. retiree healthcare benefits by us has led to lawsuits against us. Any initiatives we undertake to control these costs may lead to additional claims against us.

The activities of our Optics division include the installation and maintenance of undersea telecommunications cable networks, and in the course of this activity we may cause damage to existing undersea infrastructure, for which we may ultimately be held responsible.

Our subsidiary Alcatel-Lucent Submarine Networks is an industry leader in the supply of submarine optical fiber cable networks linking mainland to islands, island to island or several points along a coast, with activities now expanding to the supply of broadband infrastructure to oil and gas platforms and other offshore installations. Although thorough surveys, permit processes and safety procedures are implemented during the planning and deployment phases of all of these activities, there is a risk that previously-laid infrastructure, such as electric cables or oil pipelines, may go undetected despite such precautions, and be damaged during the process of laying the telecommunications cable, potentially causing business interruption to third parties operating in the same area and/or accidental pollution. While we have in place contractual limitations and maintain insurance coverage to limit our exposure, we can provide no assurance that these protections will be sufficient to cover such exposure fully.

3.2 Legal Risks

We are involved in lawsuits which, if determined against us, could require us to pay substantial damages.

We are defendants in various lawsuits including in connection with commercial, intellectual property, environmental and labor matters. We cannot predict the extent to which any of the pending or future actions will be resolved in our favor, or whether significant monetary judgments will be rendered against us. Any material damages resulting from these lawsuits could adversely affect our profitability and cash flow.

We have been, and continue to be, involved in investigations concerning alleged violations of anti-corruption laws, and have been, and could again be, subject to material fines, penalties and other sanctions as a result of such investigations.

Anti-corruption laws in effect in many countries prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining new business or maintaining existing business relationships. Certain anti-corruption laws such as the U.S. Foreign Corrupt Practices Act (the "FCPA") also require the maintenance of proper books and records, and the implementation of controls and procedures in order to ensure that a company's operations do not involve corrupt payments. Since we conduct operations throughout the world, and given that some of our clients are government-owned entities and that our projects and contracts often require approvals from public officials, there is a risk that our employees, consultants or agents may take actions that are in violation of our Group's policies and of anti-corruption laws.

In the past, we have already experienced actual or alleged violations of anti-corruption laws, including of the FCPA. As a result, we had to pay substantial amounts to the U.S. Securities and Exchange Commission (the "SEC") in disgorgement of profits and interest, and to the U.S. Department of Justice (the "DOJ") in criminal fines. In 2010, we signed a deferred prosecution agreement (the "DPA") with the DOJ, pursuant to which the prosecution for violations of the internal controls and books and records provisions of the FCPA would be deferred for the term of the DPA. Among other things, the DPA contained provisions requiring the engagement of a French anticorruption compliance monitor (the "Monitor"). We worked with the Monitor to implement his recommendations, most of which were focused on strengthening the resources dedicated to the "Compliance" organization of our Group, and on enhancing and expanding our policies and procedures, including those we use when we retain third parties (such as distributors and suppliers).

On December 8, 2014, the Monitor submitted his final report and certified that Alcatel Lucent's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-corruption laws within Alcatel Lucent as defined in and required by the DPA. Following receipt of the Monitor's final report, the DOJ filed a motion to dismiss with prejudice the FCPA charges underlying the DPA, which the court granted on February 9, 2015. (See Section 4.2 "History and Development," subsection "Highlights of Transactions during 2014 - Other Matters - FCPA Investigations").

We are also subject to certain other ongoing investigations and proceedings in Costa Rica, France and Nigeria, as described in Section 6.8 "Legal Matters," which may result in further material damages, fines, penalties and other sanctions, and in our inability to participate in certain public procurement contracts in those countries.

In addition, our training and compliance programs, in spite of the enhancements made based on the Monitor's recommendations, may not be sufficient to prevent our employees, consultants or agents from further engaging in activities for which entities of our Group or their relevant corporate officers could be held liable under anti-corruption laws. Any further breaches or alleged breaches of such laws could have a material adverse effect on the reputation of our Group or on our operations and financial condition.

If we fail to protect our intellectual property rights, our business and prospects may be harmed.

Intellectual property rights, such as patents, are vital to our business and developing new products and technologies that are unique is critical to our success. We have numerous French, U.S. and foreign patents and numerous pending patents. However, we cannot predict whether any patents, issued or pending, will provide us with any competitive advantage or whether such patents will be challenged by third parties. Moreover, our competitors may already have applied for patents that, once issued, could prevail over our patent rights or otherwise limit our ability to sell our products. Our competitors also may attempt to design around our patents or copy or otherwise obtain and use our proprietary technology. In addition, patent applications currently pending may not be granted. If we do not receive the patents that we seek or if other problems arise with our intellectual property, our competitiveness could be significantly impaired, which would limit our future revenues and harm our prospects.

We are subject to intellectual property litigation and infringement claims, which could cause us to incur significant expenses or prevent us from selling certain products.

From time to time, we receive notices or claims from third parties of potential infringement in connection with products or software. We also may receive such notices or claims when we attempt to license our intellectual property to others. Intellectual property litigation can be costly and time consuming and can divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. A successful claim by a third party of patent or other intellectual property infringement by us could compel us to enter into costly royalty or license agreements or force us to pay significant damages and could even require us to stop selling certain products. Further, if one of our important patents or other intellectual property rights is invalidated, we may suffer losses of licensing revenues and be prevented from attempting to block others, including competitors, from using the related technology.

We are involved in significant joint ventures and are exposed to problems inherent to companies under joint management.

We are involved in significant joint venture companies. The related joint venture agreements may require unanimous consent or the affirmative vote of a qualified majority of the shareholders to take certain actions, thereby possibly slowing down the decision-making process. Our largest joint venture, Alcatel-Lucent Shanghai Bell Co., Ltd, has this type of requirement. We own 50% plus one share of Alcatel-Lucent Shanghai Bell Co., Ltd, the remainder being owned by the Chinese government.

We are subject to environmental, health and safety laws that restrict our operations.

Our operations are subject to a wide range of environmental, health and safety laws, including laws relating to the use, disposal and clean-up of, and human exposure to, hazardous substances. In the United States, these laws often require parties to fund remedial action regardless of fault. Although we believe our aggregate reserves are adequate to cover our environmental liabilities, factors such as the discovery of additional contaminants, the extent of required remediation and the imposition of additional cleanup obligations could cause our capital expenditures and other expenses relating to remediation activities to exceed the amount reflected in our environmental reserves and adversely affect our results of operations and cash flows. Compliance with existing or future environmental, health and safety laws could subject us to future liabilities, cause the suspension of production, restrict our ability to utilize facilities or require us to acquire costly pollution control equipment or incur other significant expenses.

3.3 Risks relating to ownership of our ADSs

The trading price of our ADSs and any dividends paid on our ADSs may be affected by fluctuations in the exchange rate for converting euro into U.S. dollars.

Our ADSs trade in U.S. dollars and our ordinary shares trade in euro. Accordingly, fluctuations in the exchange rate for converting euro into U.S. dollars may affect the market price of our ADSs. In addition, if and when we pay dividends, the dividends would be denominated in euro. The amount received by holders of our ADSs following conversion by the depositary of any cash dividend would depend on the exchange rate between the euro and the U.S. dollar. Furthermore, to the extent that we engage in a merger, tender offer or similar transaction that is denominated in a currency other than the U.S. dollar, the amount received by holders of our ADSs could be affected by fluctuations in the corresponding exchange rate for U.S. dollars.

If a holder of our ADSs fails to comply with the legal notification requirements upon reaching certain ownership thresholds under French law or our governing documents, the holder could be deprived of some or all of the holder's voting rights and be subject to a fine.

French law and our governing documents require any person who owns our outstanding shares or voting rights in excess of certain amounts specified in the law or our governing documents to file a report with us upon crossing this threshold percentage and, in certain circumstances, with the French stock exchange regulator (*Autorité des Marchés Financiers*). If any shareholder fails to comply with the notification requirements:

- The shares or voting rights in excess of the relevant notification threshold may be deprived of voting power on the demand of any shareholder;
- All or part of the shareholder's voting rights may be suspended for up to five years by the relevant French commercial court; and
- The shareholder may be subject to a fine.

Holders of our ADSs will have limited recourse if we or the depositary fail to meet obligations under the deposit agreement between us and the depositary.

The deposit agreement expressly limits our obligations and liability and the obligations and liability of the depositary. Neither we nor the depositary will be liable despite the fact that an ADS holder may have incurred losses if the depositary:

- is prevented or hindered in performing any obligation by circumstances beyond our control;
- exercises or fails to exercise its discretionary rights under the deposit agreement;
- performs its obligations without negligence or bad faith;
- takes any action based upon advice from legal counsel, accountants, any person presenting our ordinary shares for deposit, any holder or any other qualified person; or
- relies on any documents it believes in good faith to be genuine and properly executed.

This means that there could be instances where holders of an ADS would not be able to recover losses that you may have suffered by reason of our actions or inactions or the actions or inactions of the depositary pursuant to the deposit agreement. In addition, the depositary has no obligation to participate in any action, suit or other proceeding in respect of our ADSs unless we provide the depositary with indemnification that it determines to be satisfactory.

We are subject to different corporate disclosure standards that may limit the information available to holders of our ADSs.

As a foreign private issuer, we are not required to comply with the notice and disclosure requirements under the Securities Exchange Act of 1934, as amended, relating to the solicitation of proxies for shareholder meetings. Although we are subject to the periodic reporting requirements of the Exchange Act, the periodic disclosure required of non-U.S. issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Therefore, there may be less publicly available information about us than is regularly published by or about most other public companies in the United States.

Judgments of U.S. courts, including those predicated on the civil liability provisions of the federal securities laws of the United States in French courts, may not be enforceable against us.

An investor located in the United States may find it difficult to:

- effect service of process within the United States against us and our non-U.S. resident directors and officers;
- enforce U.S. court judgments based upon the civil liability provisions of the U.S. federal securities laws against us and our non-U.S. resident directors and officers in both the United States and France; and
- bring an original action in a French court to enforce liabilities based upon the U.S. federal securities laws against us and our non-U.S. resident directors and officers.

Preemptive rights may not be available for U.S. persons.

Under French law, shareholders have preemptive rights to subscribe for cash issuances of new shares or other securities giving rights to acquire additional shares on a pro rata basis. U.S. holders of our ADSs or ordinary shares may not be able to exercise preemptive rights for their shares unless a registration statement under the Securities Act of 1933 is effective with respect to such rights or an exemption from the registration requirements imposed by the Securities Act is available.

We may, from time to time, issue new shares or other securities giving rights to acquire additional shares at a time when no registration statement is in effect and no Securities Act exemption is available. If so, U.S. holders of our ADSs or ordinary shares will be unable to exercise their preemptive rights.

Information about the Group

4

4.1 General

Alcatel-Lucent is a French *société anonyme*, established in 1898, originally as a listed company named *Compagnie Générale d'Électricité*. Our corporate existence will continue until June 30, 2086, which date may be extended by shareholder vote. We are subject to all laws governing business corporations in France, specifically the provisions of the commercial code and the financial and monetary code.

Effective as of May 19, 2014, our registered office and principal place of business is 148/150 route de la Reine 92100 Boulogne-Billancourt, France. Our telephone number is +33 (0)1 55 14 10 10 and our website address is www.alcatel-lucent.com. The contents of our website are not incorporated into this document.

The address for Barbara Larsen, our authorized representative in the United States, is Alcatel-Lucent USA Inc., 600 Mountain Avenue, Murray Hill, New Jersey 07974.

4.2 History and development

Recent events

2014 dividend. Our Board has determined not to pay a dividend on our ordinary shares and ADSs based on 2014 results. Our Board will present this proposal at our Annual Shareholders' Meeting on May 26, 2015.

Partnership with Louis Dreyfus Armateurs. On March 18, 2015 we entered into a new partnership agreement with Louis Dreyfus Armateurs (LDA) for our submarine cables activity. Our subsidiary Alcatel-Lucent Submarine Networks acquired 100% of the shares of ALDA Marine, our former joint-venture with LDA. LDA remains our strategic marine partner.

Highlights of transactions during 2014

Disposals

Disposal of cyber-security services. On December 31, 2014, we completed the disposal of our cyber-security services & solutions and communications security activities to Thales for a cash price of €41 million.

Disposal of Alcatel Lucent Enterprise. On September 30, 2014, Alcatel Lucent completed the disposal of 85% of its Enterprise business to China Huaxin, following the binding offer received early February 2014, for a cash price of €205 million.

Disposal of LGS. On March 31, 2014, we 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 price of U.S.$110 million (€81 million) after working capital adjustment. 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 a significant amount.

Other matters

Repayment of Senior Secured Credit Facility. On August 19, 2014, using the proceeds of the OCEANE 2019 and 2020 described below, together with cash, we repaid the remaining U.S.$1,724 million outstanding of the Senior Secured Credit Facility due 2019.

Tender offer on Senior Notes 2016. On June 24, 2014, we launched a tender offer on our Alcatel-Lucent 8.50% Senior Notes due 2016. On July 4, 2014, we accepted for purchase an aggregate nominal amount of Senior Notes 2016 of €210 million for a total cash amount of €235 million. The notes tendered in the offer were cancelled. In addition, during the second quarter of 2014, a nominal amount of €19 million of the Senior Notes 2016 was bought back and cancelled for a cash amount of €22 million. Similarly, during the fourth quarter of 2014, a €3 million nominal amount of the Senior Notes 2016 was also bought back and cancelled for a cash amount of €3 million. As a result, the outstanding aggregate nominal amount for the Senior Notes 2016 is €192 million as of December 31, 2014.

Issuance of OCEANE 2019 and 2020. On June 2, 2014, we launched an offering of OCEANE (OCEANE are bonds convertible into, and/or exchangeable for, new or existing shares of Alcatel Lucent). On June 10, 2014, we issued convertible / exchangeable bonds in two tranches:

- The first tranche due January 30, 2019 for a nominal value of €688 million. The conversion price per bond was set at €4.11, giving a conversion premium of approximately 40% over Alcatel-Lucent's reference share price on the regulated market Euronext in Paris;
- The second tranche due January 30, 2020 for a nominal value of €460 million. The conversion price per bond was set at €4.02, giving a conversion premium of approximately 37% over Alcatel-Lucent's reference share price on the regulated market Euronext in Paris

The bonds bear interest at an annual rate of 0.00% and 0.125% respectively, payable semi-annually in arrears on January 30th, and July 30th, commencing January 30, 2015. At our option, the bonds may be subject to early redemption under certain conditions. The proceeds were used, together with available cash, to reimburse the remaining tranche of the 2013 Senior Secured Credit Facility entered into by Alcatel-Lucent USA Inc. as borrower. The purpose of the issuance was also to contribute to the extension of the maturity of our debt and to reduce the cost of indebtedness.

Repayment of 6.375% Senior Notes. On April 7, 2014, we repaid on the maturity date the remaining €274 million outstanding of the 6.375% Senior Notes.

Repayment of convertible trust preferred securities. On January 13, 2014, we repaid in full the U.S.$931 million principal amount outstanding of the Lucent Technologies Capital Trust I 7.75% convertible trust preferred securities due 2017.

Changes in credit 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 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+/B- to B. The Outlook was changed from Positive to Stable.

FCPA investigations. In December 2010 we entered into final settlement agreements with the SEC and the DOJ regarding violations and alleged violations of the FCPA. We signed a deferred prosecution agreement ("DPA") with the DOJ, pursuant to which the prosecution would be deferred for a term of three years and seven days, with the possibility of a one-year extension at the sole discretion of the DOJ. The DPA entered into effect on December 27, 2010, the date the DOJ filed the charging document with the court. Among other things, the DPA contained provisions requiring the engagement of a French anticorruption compliance monitor (the "Monitor") for three years. Similarly, under the agreement with the SEC, we agreed, among other things, to engage a Monitor for three years. In June 2014, following discussions with the Monitor, the DOJ and the SEC, we agreed to a six-month extension of the monitorship until December 31, 2014 to provide the Monitor with additional time to confirm certain improvements to our compliance systems. On December 8, 2014, the Monitor submitted his final report and certified that Alcatel Lucent's compliance program, including its policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-corruption laws within Alcatel Lucent as defined in and required by the DPA. Following receipt of the Monitor's final report, the DOJ filed a motion to dismiss with prejudice the FCPA charges underlying the DPA, which the court granted on February 9, 2015.

Outsourcing agreement with HCL. On July 1, 2014, in connection with the targeted cost savings of The Shift Plan, we 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 wireless legacy technologies. For further details, please refer to Section 6.5 "Contractual obligations and off-balance sheet contingent commitments", sub-section "Outsourcing transactions," and to Note 28 to our consolidated financial statements.

Outsourcing agreement with Accenture. On February 28, 2014, in connection 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 function, including the outsourcing of our accounting function. This agreement supplements two similar service agreements with Accenture regarding human resources and information technology. For further details, please refer to Section 6.5 "Contractual obligations and off-balance sheet contingent commitments," sub-section "Outsourcing transactions," and to Note 28 to our consolidated financial statements.

Significant shareholding. According to the notification filed with the French securities market authorities and sent to Alcatel-Lucent on April 21, 2014, the Capital Group Companies, Inc.- (USA) holds, after acquiring a significant shareholding in Alcatel Lucent, a total of 290,280,811 shares of Alcatel Lucent, representing 10.31% of our capital and 10.14% of the voting rights.

Highlights of transactions during 2013

Appointment of new CEO, CFO, and Vice-Chairman of the Board of Directors. On February 22, 2013, we announced the nomination of Mr. Michel Combes as Chief Executive Officer (CEO) effective on April 1, 2013. His nomination as Director was approved at our Annual Shareholders' Meeting on May 7, 2013. He succeeded Mr. Ben Verwaayen, who had decided not to seek re-election as a Director at such meeting and stepped down as CEO.

On February 22, 2013, our Board of Directors approved the appointment of Mr. Jean C. Monty as Vice-Chairman of the Board, effective immediately.

On August 28, 2013, we announced the nomination of Mr. Jean Raby as Chief Financial & Legal Officer effective on September 1, 2013.

Launch of The Shift Plan. On June 19, 2013, we launched The Shift Plan which, upon implementation, is designed to transform our Company into an IP and cloud networking and ultra-broadband specialist refocused on innovation, transformation and unlocking growth to become a cash generative business from 2015. The details and objectives of The Shift Plan are described in Section 6.6 "Strategy and Outlook", contained in this report.

As part of The Shift Plan, a new organization comprised of three reportable segments, Core Networking, Access and Other, became effective as of July 1, 2013. For further details on the breakdown about the new organization, please refer to Section 5.1 "Business Organization", sub-section "Organization," and to Note 5 to our consolidated financial statements.

Completion, repricing and termination of multi-year financing commitments. On January 30, 2013, we entered into three Senior Secured Credit Facilities totaling approximately €2 billion. In connection with that transaction, our then existing unsecured revolving credit facility was terminated. We later terminated all of these facilities, as discussed in further detail under Section 6.4 "Liquidity and capital resources."

Rights issuance. As part of the implementation of The Shift Plan, in December 2013 we increased our capital with a rights offering guaranteed by a bank syndicate. The rights offering raised €957 million (including the issue premium), through the issuance of 455,568,488 new ordinary shares.

Issuance of notes and convertible bonds, and repurchases of notes and convertible bonds. On April 30, 2013, we made a cash tender offer to repurchase our 6.375% Senior Notes due 2014, our 2015 OCEANE, and our 8.50% Senior Notes due 2016. (OCEANE are bonds convertible into, and/or exchangeable for, new or existing shares of Alcatel Lucent). As a result, in May and June 2013, we repurchased and cancelled notes and OCEANE having an aggregate nominal value of €446 million.

On May 14, 2013, Alcatel-Lucent USA Inc. launched an offer to purchase its 2.875% Series B convertible debentures due in 2025, as required under the terms of the indenture, due to the June 15, 2013 optional redemption date. On June 15, 2013, Alcatel-Lucent USA Inc. repurchased and cancelled a principal amount of U.S.$764 million of such debentures, representing approximately 99.8% of the debentures outstanding.

On June 26, 2013, as a first measure under The Shift Plan toward the objective of reprofiling our debt, we launched an offering of OCEANE. The OCEANE mature on July 1, 2018, bear a 4.25% annual interest rate, and have an initial conversion price of €1.80, equivalent to a conversion premium of approximately 37% over the reference share price of Alcatel-Lucent. The proceeds of this offering, closed on July 3, 2013, were approximately €621 million, with a nominal value of €629 million. We used the proceeds of this offering to repurchase and cancel some of our existing 5.00% OCEANE due 2015. We paid approximately €780 million in total for such repurchases. In December 2013, a portion of the then outstanding 2015 OCEANE was converted into €48 million of Alcatel-Lucent ordinary shares, and we repaid the remaining part of the 2015 OCEANE for €11 million. Following the rights offering described above, due to the anti-dilution provisions of the OCEANE 2018, the exchange ratio, which was one Alcatel-Lucent share with a nominal value of €2.00 for one OCEANE 2018, was adjusted to 1.06 Alcatel-Lucent shares with a nominal value of €0.05 for one OCEANE 2018, effective December 9, 2013. The conversion price remained unchanged at €1.80.

Between July and December, 2013, Alcatel-Lucent USA Inc. issued the following series of bonds: U.S.$500 million Senior Notes due January 1, 2020, with an 8.875% coupon; U.S.$1,000 million Senior Notes due November 15, 2020 with a 6.750% coupon; and U.S.$650 million Senior Notes due July 1, 2017 with a 4.625% coupon. The proceeds of these offerings were used to (i) repay the U.S.$500 million Asset Sale Facility and the remaining outstanding amount of the €300 million Credit Facility which were two of the three Senior Secured Credit Facilities mentioned above; (ii) repay or redeem Alcatel-Lucent USA Inc.'s outstanding Series A and Series B convertible debentures and Lucent Technologies Capital Trust I convertible trust preferred securities; and (iii) prefund the maturity of €274 million principal amount of Alcatel Lucent's 6.375% Senior Notes due in 2014. The offerings made in the United States were limited to qualified institutional buyers.

Capital decrease. Effective as of June, 2013, Alcatel-Lucent's capital was reduced to €116,471,561.65 by reducing the nominal value of its shares from €2.00 to €0.05 per share, pursuant to the capital decrease approved at the Extraordinary Shareholders' Meeting held on May 29, 2013.

Revolving Credit Facility. On December 17, 2013, Alcatel-Lucent closed a €504 million three-year revolving credit facility with a syndicate of 12 international banks. As of the date hereof, this facility remains undrawn.

Strategic partnership with Qualcomm. On September 30, 2013, we entered into a strategic partnership agreement with Qualcomm Incorporated to develop small cells for ultra-broadband wireless access. As a result, Qualcomm may purchase up to U.S.$20 million of our shares per year, in four tranches, over the period from 2013 to 2016. Each tranche is subject to a minimum lock-up period of six months. On September 30, 2013, Qualcomm Incorporated purchased approximately six million treasury shares (representing approximately 0.25% of our share capital) for U.S.$20 million.

End of joint venture with Bharti Airtel. In February 2013, we decided to discontinue our joint venture with Bharti Airtel formed in 2009 for the management of Bharti Airtel's pan-India broadband and telephone services and to help Bharti Airtel's transition to a next generation network across India. As a result, the former joint venture's operations were absorbed into a new business entity set up by Bharti Airtel.

Termination of agreement with RPX. On March 7, 2013, we terminated our contract with RPX by mutual agreement, resulting in the extinguishment of all obligations of the parties, except for continuing obligations under certain non-disclosure provisions of the contract.

Highlights of transactions during 2012

Disposals

Disposal of Genesys. On February 1, 2012, we concluded the sale of our Genesys business to a company owned by the Permira funds (Permira is a European private equity firm) and Technology Crossover Ventures (a venture capital firm), for cash proceeds of U.S.$ 1.5 billion, pursuant to a binding offer that we had received on October 19, 2011.

Other matters

Multi-year financing commitments. On December 14, 2012, we announced that we had entered into three fully-committed €1.615 billion Senior Secured Credit Facilities underwritten by Credit Suisse AG and Goldman Sachs Bank USA. Alcatel-Lucent USA Inc. was the borrower under these Senior Secured Credit Facilities, and Alcatel-Lucent and some of its material subsidiaries were guarantors. The Senior Secured Credit Facilities were denominated in U.S. dollars and in euros, and had maturities of three and a half to six years. Two of the facilities were repaid in 2013, and the remaining one was reimbursed in 2014.

Launch of The Performance Program. On July 26, 2012 we launched The Performance Program, under which we expected to achieve €750 million in cost reductions, in addition to those previously announced in 2011, totaling €1.25 billion of cost savings by the end of 2013 taking into account our fixed and variable cost savings of close to €650 million in 2012. As a part of The Performance Program, a new organization became effective as of January 1, 2013, but was replaced by the organization, effective July 1, 2013, adopted in the context of The Shift Plan.

Repurchases of convertible debentures. In February 2012, we repurchased and cancelled a portion of the outstanding Alcatel-Lucent USA Inc. 2.875% Series B convertible debentures due June 2025 for U.S.$ 110 million in cash, excluding accrued interest, corresponding to a nominal value of U.S.$116 million. This represented 13% of the total U.S.$881 million nominal value of such debentures outstanding at December 31, 2011.

Repayment of notes issued in 2010. In February 2012, we repaid the notes that we had issued in July 2010 with maturity in February 2011 (then extended to February 2012) and in October 2010 with maturity in February 2012, for an aggregate €50 million in nominal value. In May 2012, we repaid the notes that we had issued in July 2010 with maturity in May 2011 (then extended to May 2012) for an aggregate €50 million in nominal value.

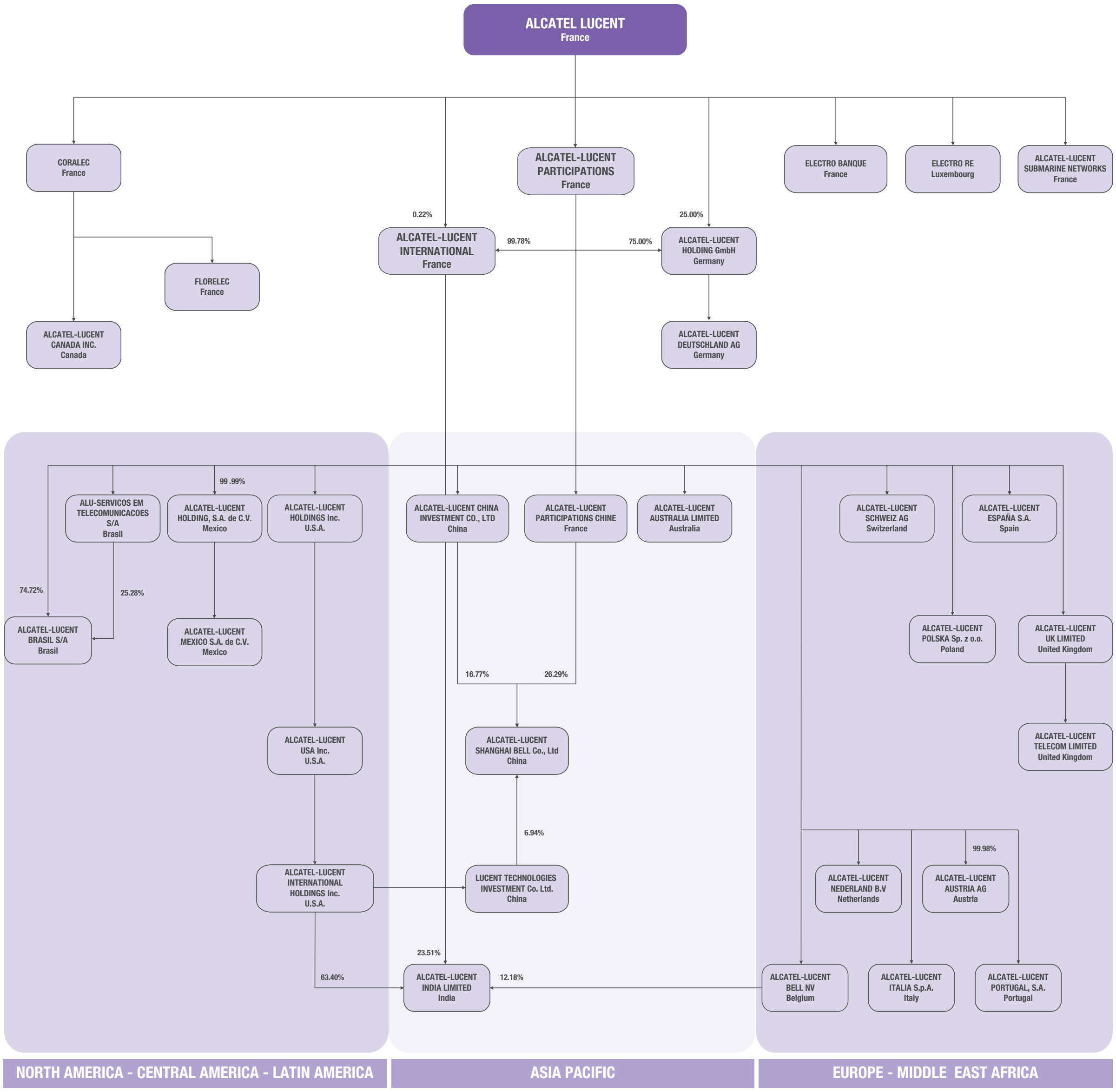
Agreement with RPX concerning our patents. On February 9, 2012 we entered into an agreement with RPX Corporation ("RPX"), a company active in the patent risk solutions business, pursuant to which RPX would offer access to our worldwide patent portfolio through non-exclusive patent licenses to be entered into between members of the RPX client network and Alcatel-Lucent.

Set forth below is an outline of certain significant events of Alcatel-Lucent beginning in 2006, the year of the merger of historical Alcatel and Lucent, until 2011:

2006	Business combination between historical Alcatel and Lucent Technologies Inc., completed on November 30, 2006 Acquisition of VoiceGenie, a leader in voice self-service solutions development by both enterprises and carriers Acquisition of a 27.5% interest in 2Wire, a pioneer in home broadband network product offerings Buy-out of Fujitsu's interest in Evolium 3G our wireless infrastructure joint venture
2007	Acquisition of Informiam, pioneer in software that optimizes customer service operations through real-time business performance management (now a business unit within Genesys) Acquisition of NetDevices (enterprise networking technology designed to facilitate the management of branch office networks) Acquisition of Tropic Networks (regional and metro-area optical networking equipment for use in telephony, data, and cable applications) Sale of our 49.9 % interest in Draka Comteq to Draka Holding NV, our joint venture partner in this company Sale of our 12.4 % interest in Avanex to Pirelli, and supply agreements with both Pirelli and Avanex for related components Sale of our 67% interest in the capital of Alcatel Alenia Space and our 33% interest in the capital of Telespazio (a worldwide leader in satellite services) to Thales. Completion of the contribution to Thales of our railway signaling business and our integration and services activities for mission-critical systems not dedicated to operators or suppliers of telecommunications services
2008	Acquisition of Motive Networks, a U.S-based company developing and selling remote management software solutions for automating the deployment, configuration and support of advanced home networking devices called residential gateways
2009	Sale of our 20.8% stake in Thales to Dassault Aviation Sale of Dunkermotoren GmbH, our electrical fractional horsepower motors and drives subsidiary, to Triton Joint announcement with Hewlett-Packard (HP) of a 10-year co-sourcing agreement expected to help improve the efficiency of IS/IT infrastructure and create a joint go-to-market approach
2010	Sale of our 26.7% stake in 2Wire, a U.S.-based provider of advanced residential gateways for the broadband service provider market, to Pace plc Sale of our Vacuum pump solutions and instruments business to Pfeiffer Vacuum Technology AG
2011	-

4.3 Structure of the main consolidated companies as of December 31, 2014

The organization chart below reflects the main companies consolidated in the Group as of December 31, 2014 listed, in particular, in Note 33 of our consolidated financial statements. Percentage of interest in the capital equals 100% unless otherwise specified.



4.4 Real estate and equipment

We occupy, as an owner or tenant, a large number of buildings, production sites, laboratories and service sites around the world. There are two distinct types of sites with the following features:

- production and assembly sites dedicated to our various businesses;
- sites that house research and innovation activities and support functions.

A significant portion of sites are located in Europe, in the United States and in China.

Most of our production and assembly is outsourced, while the remaining portion is carried out in our production sites. At December 31, 2014, our total production capacity was equal to approximately 237,000 sq. meters and the table below shows the breakdown by region for the Core Networking and Access segments, where our production capacity is concentrated.

We believe that these properties are in good condition and meet the needs and requirements of the Group's current and future activity and do not present an exposure to major environmental risks that could impact the Group's earnings.

The environmental issues that could affect how these properties are used are mentioned in Section 9.1 "Environment".

The sites mentioned in the tables below were selected among our portfolio of 430 sites to illustrate the diversity of the real estate we use, applying four main criteria: region, business segment, type of use (production/assembly, research/innovation or support function), and whether the property is owned or leased.

Alcatel-Lucent, production capacity at December 31, 2014

(in thousands of sq. meters)	EMEA	Americas	APAC	Total
Core Networking	84	0	5	89
Access	53	30	65	148
TOTAL	**137**	**30**	**70**	**237**

Production/Assembly sites

Country	Site	Ownership
China	Shanghai Pudong	Full ownership
China	Shanghai Songjiang	Full ownership
France	Calais	Full ownership
France	Eu	Full ownership
United Kingdom	Greenwich	Full ownership
United States	Meriden	Full ownership

The main features of our production sites are as follows:

- site of Shanghai Pudong (China): 142,000 sq. meters, of which 23,000 sq. meters is used for the production for Fixed Access and Wireless Access activities, the remainder of the site is used mainly for offices and laboratories;
- site of Shanghai Songjiang (China): 22,340 sq. meters used for the manufacturing of products for RFS (Radio Frequency Systems);
- site of Calais (France): 79,000 sq. meters, of which 48,000 sq. meters is used for the production of submarine cables;
- site of Eu (France): 31,000 sq. meters, of which 16,000 sq. meters is used for the production of boards;
- site of Greenwich (United Kingdom): 19,500 sq. meters used for the production of submarine cables;
- site of Meriden (United States): 21,000 sq. meters used for the manufacturing of products for RFS (Radio Frequency Systems).

Research and innovation and support sites

Country	Site	Ownership
Germany	Stuttgart	Lease
Germany	Nuremberg	Lease
Austria	Vienna	Full ownership
Belgium	Anvers	Lease
Brazil	São Paulo	Full ownership
Canada	Ottawa	Full ownership
China	Shanghai Pudong	Full ownership
Spain	Madrid	Lease
United States	Plano	Full ownership
United States	Naperville	Full ownership
United States	Murray Hill	Full ownership
France	Villarceaux	Lease
France	Lannion	Full ownership
France	Boulogne-Billancourt Headquarters	Lease
France	Orvault	Lease
India	Bangalore	Lease
India	Chennai	Lease
Italy	Vimercate	Lease
Mexico	Cuautitlan Izcalli	Full ownership
Netherlands	Hoofddorp	Lease
Poland	Bydgoszcz	Full ownership
Romania	Timisoara	Full ownership
United Kingdom	Swindon	Lease
Singapore	Singapore	Lease

The occupation rate of these sites varies between 50 and 100 % (average rate is 79%); the space which is not occupied by Alcatel Lucent is leased to other companies or remains vacant. The average rate of 79% is based on the global portfolio of Alcatel Lucent. The facilities presented are the major sites and form a representative sample of our activities.

4.5 Material contracts

National security agreement

On November 17, 2006, the Committee on Foreign Investment in the United States ("CFIUS") approved our business combination with Lucent. In the final phase of the approval process CFIUS recommended to the President of the United States that he not suspend or prohibit our business combination with Lucent, provided that we execute a National Security Agreement ("NSA") and Special Security Agreement ("SSA") with certain U.S. Government agencies within a specified time period. As part of the CFIUS approval process, we entered into a NSA with the Department of Justice, the Department of Homeland Security, the Department of Defense and the Department of Commerce (collectively, the "USG Parties") effective on November 30, 2006. As of November 20, 2012, the Department of Commerce ceased to be a party to the NSA. The NSA provides for, among other things, certain undertakings with respect to our U.S. businesses relating to the work done by Bell Labs and to the communications infrastructure in the United States. Under the NSA, in the event that we materially fail to comply with any of its terms, and the failure to comply threatens to impair the national security of the United States, the parties to the NSA have agreed that CFIUS, at the request of the USG Parties at the cabinet level and the Chairman of CFIUS, may reopen review of the business combination with Lucent and revise any recommendations or make new recommendations to the President of the United States, which could lead to new commitments for Alcatel Lucent. In addition, we agreed to establish a separate subsidiary, LGS Innovations LLC ("LGS"), to perform certain work for the U.S. government, and hold government contracts and certain sensitive assets associated with Bell Labs. The SSA, effective December 20, 2006, that governs this subsidiary contains provisions with respect to the separation of certain employees, operations and facilities, as well as limitations on control and influence by the parent company and restrictions on the flow of certain information.

Disposal of LGS. On March 31, 2014, Alcatel-Lucent sold LGS to a U.S. - based company. Alcatel-Lucent worked with the U.S. Government to receive the necessary approvals and amend the NSA to allow Alcatel-Lucent to continue to sell products and services to the U.S. Government through LGS. In addition, by virtue of the sale of LGS, Alcatel-Lucent no longer is a party to the referenced SSA or has directors on the LGS board.

2013 Senior secured credit facilities

On January 30, 2013, Alcatel-Lucent USA Inc., as borrower, and Alcatel Lucent and some subsidiaries of the Group, as guarantors, entered into senior secured credit facilities that were syndicated in January 2013 (the “Senior Secured Credit Facilities”) and which comprised:

- An asset sale facility with a total nominal value of U.S.$500 million;
- A credit facility with a total nominal value of U.S.$1,750 million; and
- A credit facility with a total nominal value of €300 million.

Consistent with The Shift Plan (see Section 6.4 “Liquidity and capital resources”, sub-section “Capital resources”):

- On August 7, 2013, we repaid the asset sale facility;
- On December 6, 2013, we repaid the remaining outstanding amount under the €300 million credit facility; and
- On August 19, 2014, we repaid the remaining outstanding amount under the U.S. $1,750 million credit facility.

As a result, on August 2014, the Senior Secured Credit Facilities were fully repaid, allowing for the release of all associated pledges (see Section 6.4 “Liquidity and capital resources”, sub-section “Capital resources”).

Description of the Group's activities

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5.1 Business Organization

Strategic Focus: There are several major trends centered at the intersection of the network and cloud that are changing the course of the information, communications and technology (ICT) industry, and framing our strategic future:

- Dramatic uptick in cloud usage which drives larger data centers and the need for IP networking
- More ubiquitous mobile broadband at work, home and on the move
- Increasing intelligent connectivity for all kinds of objects which is creating the next generation internet - the internet of objects
- Growing availability and value in data that is created by the digital world which allows for better customer experience, new business models and commerce, and a wealth of new intelligent services of all kinds.

These trends began several years ago and collectively have created a period of significant growth in the ICT industry. For society, this will result in a shift in how the world will interact, with the network and the cloud serving as key components.

Our operating strategy leverages these trends and depends on our ability to lead future market shifts to IP and cloud networking and ultra-broadband access. In June 2013, we launched The Shift Plan, which is a three-year industrial program that has already significantly repositioned our company from a telecommunications generalist to a specialist, with better-aligned management, a sound financial foundation, a stronger focus on innovation and significant growth prospects. The Shift Plan laid the foundation for the company to address major trends by focusing on IP and Cloud Networking and Ultra-Broadband Access. As such, we have refocused on a few strategic businesses with a tighter and more controlled portfolio while adapting our cost structure to strengthen our competitive positioning.

Our key strengths to achieve success in our market include:

- Our rapid expansion into products focused on creating an all-IP network in the cloud. Our cloud IP portfolio centers around: IP routing, Nuage Networks (our SDN platform), IP transport (including WDM) and selected IP Platforms such as Advanced Communications (IMS), Customer Experience Management and CloudBand, our virtualized software platform.
- Our leadership position in the design and evolution of ultra broadband telecommunications networks. We will continue to invest in fiber and in LTE including small cells, to pursue this goal.
- Maintaining a core strategy and a sustained investment in Research and Development.

We believe that these strengths, coupled with the placement of IP at the center of our strategy will lead us to a successful future while taking into account the impact of the cloud on the future of the ICT industry. We anticipate that our new emphasis will enable us to target a wider range of customers beyond our traditional base of large telecommunications operators. Our sales and marketing strategy has been redesigned to take advantage of the new portfolio focus and to identify new and profitable market segments where our leading innovations in IP and cloud will allow us to better address a wider range of service providers. This strategy also allows us to benefit from all-IP network transformations with multiple system operators (MSOs) as well as address the telecommunications needs of web-scale customers and extra-large enterprises. We also continue to work with industry verticals such as governments, utilities, and transportation to address their networking and cloud requirements. Additionally in 2014, we announced a reinvigorated Alcatel-Lucent Partner Program to enhance our go-to-market coverage to serve customers of all kinds.

To achieve even broader success, we need to grow with an open strategy of partnerships. We have already begun to reap the benefits of our partnership with Qualcomm to develop small cells for ultra-broadband wireless access. Likewise, we have progressed in aggressively virtualizing our portfolios through our global collaboration with Intel Corporation, which we established in February 2014. In May 2014, we established a partnership with Thales to provide highly advanced solutions to secure communications which combined Thales's expertise in cyber-security and our know-how in secure networks and advanced security features in our networking products. Finally, in September 2014, we formed a strategic alliance with Accenture to help service providers and large enterprises implement integrated ultra-broadband solutions to address the challenges of rising costs and increased data consumption caused by high demand from digital customers and applications. The agreement forms the Accenture Alcatel-Lucent Business Group. Its initial offerings will include solutions where the companies team to design, build and run scalable, cost effective customer care operations for all-IP networks that will enhance mobile broadband accessibility and improve digital customers' experiences. These partnerships will help us to scale and reshape the industry, and to create productive ecosystems.

Organization. The operating segments of our business are as follows:

- Core Networking which includes:
  - IP Routing, comprised of our IP routing portfolio and Nuage Networks
  - IP Transport, comprised of our terrestrial optics, submarine optics and wireless transmission portfolios
  - IP Platforms, which includes software as well as services
- Access which includes:
  - Wireless Access, which includes all of our mobile radio access products and technologies (LTE, CDMA, W-CDMA, GSM/EDGE, small cells)

- Fixed Networks, focusing on copper and fiber access technologies
- Managed Services, which includes Network Operations and other focused solutions for the carrier and strategic industries market,
- Licensing, positioned around the monetization of our patent portfolio.

- Other, which included our government business through the first quarter of 2014.

In addition, we have three organizations with specific focuses:

- **Operations:** the operations organization includes delivery, operations and critical functions to help drive and monitor the implementation of The Shift Plan.
- **Sales:** our sales organization focuses on driving customer relationships and serving as the face of the company to the customer.
- **Strategy and Innovation:** responsible for shaping the agenda of the future of the company. This organization oversees Bell Labs and manages our intellectual property.

We also have the following corporate functions: Finance and Legal, Human Resources, and Marketing.

For more information regarding The Shift Plan, see Chapter 6.6 - "Strategy and Outlook" and for financial information by operating segment (also called business segment) and geographic market, see Note 5 to our consolidated financial statements and Chapter 6 - "Operating and Financial Review and Prospects", included elsewhere in this document.

5.2 Core Networking Segment

Overview

Profound changes in the telecommunications market are impacting service providers' networks. Mobile broadband data traffic - particularly video - continues to grow rapidly due to affordable smartphones, tablets and mobile devices, higher-speed wireless connectivity and more compelling services, content and applications. Mobile network operators are also deploying an increasing number of small cell sites to increase wireless capacity and coverage. In addition, increasing competition and next-generation broadband initiatives continue to place demands on fixed network operators. Together, these factors indicate that service providers operating either fixed or mobile networks must continue to invest in core networking infrastructure and Internet Protocol (IP) applications to keep up with data demands, as users expect high speed, high quality connections at any time and from anywhere.

Although service providers continue to sell network connectivity services, competition is robust and prices remain under constant pressure. In addition, service providers have found it difficult to sell value-added services that generate additional revenue streams, such as enterprise communications services and consumer entertainment services. Alternative web-based applications and services from Internet companies are becoming more appealing to consumers and cost effective for enterprises. Web scale companies, such as Google and Amazon, are successfully delivering web-based applications and services to end users from large global data centers and related interconnected networks that are simpler to operate and more cost effective than traditional service provide infrastructure.

To support the growth in these web-based applications and services and to make communication within and between data centers more efficient, new platforms are rapidly emerging. These new platforms integrate telecommunications-oriented IP networking and IT-oriented data center systems using a next generation approach to networking known as Software Defined Networking (SDN). SDN aims to make networking easier to deploy, more scalable, less prone to error and cheaper to operate by automating many of the processes used to configure, manage and maintain networks and deliver services today. In addition, Network Functions Virtualization (NFV), in which certain network functions are implemented in software running on commercial off-the-shelf hardware is emerging as an alternative deployment approach for select IP applications and services. By placing these virtualized functions in data centers, NFV aims to significantly increase the efficiency and flexibility of telecommunications networks for the delivery of cloud-based applications and services.

In response to these changes in the telecommunications market, we have re-positioned ourselves as a specialist provider of Internet Protocol (IP) Networking, Cloud, and Ultra-Broadband Access, rather than as a telecommunications generalist. Our Core Networking segment includes the following divisions: IP Routing, IP Transport and IP Platforms. In 2014, the Core Networking segment continued to invest in a next-generation network product portfolio spanning each of this segment's divisions as well as related professional services. Our next-generation Core Networking product portfolio continues to address the key challenge of how to simultaneously deliver innovative, revenue-generating services and provide scalable, low-cost bandwidth. In addition, we are investing in our Core Networking portfolio to help service providers to evolve to a more efficient, cloud-based network infrastructure that embraces SDN and NFV operational models and enables them to launch services faster, generate new revenue and increase business efficiency.

In 2014, the Core Networking segment focused its R&D efforts on:

- New and enhanced IP routing platforms for the core, edge, metro and access parts of the network enabling the transformation to an all-IP network across a range of mobile, residential, business and network infrastructure applications;

- The introduction of a suite of virtualized IP routing applications including the Virtualized Service router (VSR), Virtualized Mobile Gateway (VMG) and Virtualized Mobility Manager (VMM) that are optimized for deployment in an NFV environment, and that build on more than a decade of investment in software and our real-world deployment experience in our Service Router Operating System (SR OS);
- Multi-dimensional IP platform scale (covering capacity, services and control plane) using our in-house designed 400 gigabit/second (400 Gbps) FP3 network processor which allows for a fourfold improvement in performance and speed compared to current industry benchmarks, while reducing power consumption and space;
- Optical switching and transport systems and technologies, including 100 gigabit/second (100 Gbps) coherent optics, and our in-house designed 400 Gbps Photonic Service Engine (PSE) and the first-to-market programmable 100 Gbps/200 Gbps DWDM solution;
- SDN platforms and solutions that help service providers become more flexible, open and responsive to enterprise networking needs within the data center, between data centers and across the service provider Wide Area Network (WAN);
- IP applications and solutions, collectively known as IP Platforms, focused on IP Communications, Cloud/NFV, Motive® Customer Experience Management, Policy & Charging, and Consulting services.

In 2014 our Core Networking segment revenues were €5,966 million including intersegment revenues and €5,959 million excluding intersegment revenues, representing 45% of our total revenues.

IP Routing

Our IP Routing division is focused on delivering the IP routing infrastructure required to meet the challenges of sustaining massive network traffic growth while supporting the efficient delivery of cloud-enabled business, mobile and residential services. Our IP routing portfolio is targeted to service providers, mobile network operators, cable/multiple system operators (MSOs), transportation, utilities and large-scale enterprises worldwide.

The main product families within the IP routing portfolio are:

- **Internet Protocol/Multiprotocol Label Switching (or IP/MPLS) core and edge routers.** These products direct traffic within and between carriers' national and international networks to enable delivery of a broad range of IP-based services (including internet access, Internet Protocol TV (IPTV), Voice over IP, mobile phone and data and managed business VPNs) on a single common network infrastructure with superior scalability, performance, reliability and application intelligence;
- **Carrier Ethernet access and aggregation switch/routers.** These platforms and devices enable carriers to deliver advanced residential, business and mobile backhaul services. These products are mainly used in metropolitan area networks, which span across a city or large campus;
- **Service Aggregation Routers.** These platforms are optimized to facilitate the transition from legacy networking technologies to next generation Carrier Ethernet/packet networking, and are widely deployed for mobile backhauling, business services and fixed network aggregation;
- **Service Aware Management.** These products help manage all parts of the IP/MPLS network and help service providers with simplified processes to allow new services, proactive troubleshooting, and streamlined integration within their existing networks;
- **Content Delivery Networks (CDN).** These products distribute and store web and video content. They deliver a wide variety of video and other content to businesses and consumers in cost-effective ways, as well as providing opportunities for new business relationships between service providers and content providers; and
- **Software Defined Networking (SDN).** SDN enables service providers, web-scale operators and large enterprises to build robust, automated and highly scalable data center and networking infrastructures that deliver secure virtual compute, storage and networking resources for multiple tenants and user groups.

The applicability of our IP Routing portfolio continues to expand to meet the needs of service providers. The following are some of our key areas of focus and investment in 2014:

- Virtualized Services Platform (VSP) – Nuage Networks, our wholly-owned subsidiary, is delivering a Software-Defined Networking (SDN) solution to eliminate key data center network constraints that hinder cloud services adoption. The Nuage Networks VSP enables cloud providers, large enterprises and service providers to virtualize and automate networks in accordance with established policies in order to provide instant, secure connectivity to multiple users. In 2014, we saw strong customer momentum for the Nuage VSP platform across these customer types in all regions. We also enhanced the offering by introducing the Virtualized Networks Services (VNS) solution which will help enterprises and service providers extend the benefits of SDN to branch locations anywhere.
- Virtualized Service Router (VSR) – We introduced a highly flexible suite of virtualized IP edge routing applications for deployment in NFV environments. The VSR enables rapid service innovation, extends service reach, opens new markets, and accelerates time to market for our customers.
- Core router platform – We created advanced features for the 7950 Extensible Routing System (XRS), a next-generation core IP router designed to help service providers address the rapid growth of data traffic on core networks. We also significantly expanded our customer base for this product.
- Enhanced IP edge routing features – We continue to develop advanced features for our IP edge routers such as policy and subscriber management, advanced video delivery, carrier Wi-Fi, security, and datacenter interconnect.

- Mobile backhaul – We expanded our broad IP mobile backhaul portfolio to address the challenges of deploying mobile backhaul for small cell networks while, at the same time, ensuring seamless backhaul management and operations across the broader 3G or 4G/LTE mobile network.
- Mobile packet core – Our mobile packet core solution supports LTE Evolved Packet Core (EPC) and next-generation 2G/3G/3G+ packet core functionality to seamlessly deliver mobile traffic across all wireless technologies. In 2014, we introduced a virtualized evolved Packet Core (vEPC) product suite including virtualized mobile gateways and virtualized mobility management.

Our service routers and carrier Ethernet service switches share a single network management system that provides consistency of features, quality of service, and operations, administration and maintenance capabilities - from the network core to the customer edge. These capabilities are critical as service providers transform their networks to support new types of IP-based services. Our service routers enable service providers to deliver personalized services to business, residential and mobile users, ensuring high capacity, reliability and high performance with enhanced quality of experience.

IP Transport

Our IP Transport division designs equipment for the transmission of high-speed data over fiber optic connections. The division focuses on terrestrial optical equipment for land (terrestrial) and undersea (submarine), for short distances in metropolitan and regional areas, and for traffic aggregation of fixed and mobile multi-service networks. Our leading transport portfolio also includes microwave wireless transmission equipment.

Terrestrial optics

Our terrestrial optical products offer a portfolio designed to seamlessly support service growth from the metro access to the network core. With our products, carriers can manage voice, data and video traffic patterns based on different applications or platforms. They can introduce a wide variety of managed data services that include multiple service quality capabilities, variable service rates and traffic congestion management. Most importantly, these products allow carriers to leverage their existing network infrastructure to offer new services and to support ultra-broadband services.

As a leader in optical networking, we play a key role in the transformation of optical transport networks. Our wavelength-division multiplexing (WDM) products address a variety of markets, from the enterprise to the ultra-long-haul, and meet service provider requirements for cost-effective, scalable networks that can handle their increased data networking needs. Our WDM product portfolio is based on an intelligent photonics approach which eliminates the need for frequent on-site configuration. The 100 Gbps, 200 Gbps and 400 Gbps technology available in our WDM products along with 10 Gbps, 40 Gbps, and 100 Gbps high speed WDM uplinks allow operators to solve bandwidth bottlenecks, while offering the lowest cost per transported bit. This approach facilitates the design and installation of a more flexible WDM network that is easier to operate, manage and monitor.

In 2014, the terrestrial optics division expanded the scalability, agility, versatility and performance features of our photonic networking product portfolio, which allows service providers to more efficiently transport increasing volumes of IP-based traffic. During 2014, the terrestrial optics division continued and expanded its R&D efforts on:

- **Integrated packet transport.** This capability further enhances our terrestrial optics portfolio by leveraging our IP assets to provide comprehensive packet transport capabilities on the 1830 PSS product, our flagship WDM product.
- **100 Gbps and 200 Gbps WDM.** We continue to make investments to enable wider adoption of 100 Gbps WDM in the core network and metro network as well in increasingly more challenging and complex use cases. We were the first to deliver a programmable 100 Gbps/200 Gbps DWDM line card solution that allows service providers to meet today's bandwidth demands and seamlessly grow capacity when needed without additional investment.
- **400 Gbps WDM.** We have seen an increasing interest in 400 Gbps WDM, enabling transport network speeds four times faster than current 100 Gbps WDM. A number of customers successfully completed trials and deployments on key routes. However, we believe the wide spread commercial adoption of 400 Gbps WDM will take several years.
- **10 Gbps, 40 Gbps and 100 Gbps DWDM uplink cards.** These cards enable cost-effective transferring of data and switching of lower bit rate services into higher bit rate wavelengths for efficient transport networking.
- **A flexible-grid-ready wavelength selective switch.** Delivered through a software upgrade, this product enables wavelengths to be packed more densely, enabling more cost-effective transport.
- **IP traffic integration.** This technology leverages our IP hardware and software assets to deliver switched native Ethernet transport directly on our photonic networking platforms in order to eliminate a need for more than one platform at a given site and enabling a reduction in the number of required ports on our photonic networking platforms and inter-connected service platforms.
- **Multi-layer control plane.** This product organizes traffic so that it can be transported at the most economical layer in addition to allowing for the monitoring, reporting and enforcement of services.

These optical products and technologies provide cost-effective, managed platforms that support different services and are suitable for many different network configurations.

Submarine

With over 575,000 km of submarine cables already installed and 300,000 km of submarine cables under maintenance agreements, we are the industry leader in installing and maintaining undersea telecommunications cable networks using optical transmission. According to industry analysts, we have a 40% market share. Our submarine cable networks connect continents, mainland to islands and between islands or several points along a coast. The market is mainly driven by capacity demand in response to surging broadband traffic volumes, and connectivity demand. Competition between service providers and need for routes redundancy are secondary drivers.

Customers in this market are primarily service providers grouped into consortiums. We also see an increasing level of investment from webscale content providers (like Google or Microsoft). As a unique integrated player, we provide to our customers design, development, manufacturing, marine survey, marine lay, civil works, installation, commissioning and maintenance of cables.

Our submarine activity includes:

- Repeatered cables, which are turnkey systems for distances that exceed 450 km, using repeaters to amplify the signal over trans-oceanic distances,
- Unrepeatered cables, for distances of less than 450 km,
- Upgrades of terminal equipment at both ends of a cable to increase the capacity of the systems (typically to 100G gigabits per second),
- Marine maintenance to repair damaged systems when needed, and after sales services.

We have also started to broaden our customer base by entering the oil & gas market, notably to connect oil & gas offshore platforms to the coast, and to provide permanent reservoir monitoring solutions.

This market is characterized by relatively few large contracts that often require more than a year to complete.

At the beginning of an upward cycle recovery, recent telecom projects have been concentrated on links between North and South America (like Seabras-1), between Europe and Asia through India and Middle-East (like Sea-Me-We-5) and in South Asia and Australia routes.

In the oil & gas market, we started the construction of a project to connect off-shore platforms along the northwest Australian coast.

Wireless transmission

We offer a comprehensive portfolio of microwave radio products meeting both the European Telecommunications Standards (ETSI) and the American standards-based (ANSI) requirements. These products include high, medium and low capacity microwave transmission systems for mobile backhaul applications, fixed broadband access applications, and private applications in markets like digital television broadcasting, defense and security, energy and utilities.

In 2014, the Wireless Transmission unit continued to focus its R&D efforts on:

- 9500 Microwave Packet Radio (MPR) product for long-haul microwave deployments that delivers an eight-fold increase in capacity through the use of one-third of the footprint of traditional long-haul microwave solutions. The 9500 Microwave Packet Radio (MPR) also allows governments, utilities, transportation and energy companies to quickly and efficiently transform their networks from legacy, or time-division multiplexing (TDM), transport to higher speed, highly efficient packet transport. Packet transport supports the shift to IP-based services and data traffic and growth;
- IP-enabled microwave for mobile backhaul applications, which combines packet-based wireless transmission with IP networking to help service providers transition from second generation (2G) to third or fourth generation (3G or 4G) mobile networks.
- The expansion of our 9500 MPR product family to provide fully integrated and end-to-end managed solutions for outdoor small cell backhaul.

IP Platforms

Our IP Platforms portfolio provides systems hardware, software platforms and applications that help communications service providers, extra large enterprises and webscale companies deliver advanced IP communications, optimize their networks and operations, improve the customer experience and monetize new services. These IP Platforms solutions include:

- **IP Communications.** Communication products, solutions and services that help our customers – both service providers and extra large enterprises – transition to next generation voice, video and messaging on any device. Key components include IP Multimedia Subsystem (IMS) and Subscriber Data Management. Notably in 2014 the portfolio saw VoLTE launches by AT&T and Verizon, the first commercial deployment of virtualized IMS, and an increase of VoLTE contracts from five to eleven.
- **Network Function Virtualization (NFV).** Fostering cloud based solutions optimized for communications service providers, our CloudBand portfolio combines the power of telecom networks with the flexibility and cost efficiencies of cloud and IT services. CloudBand is an industry leading NFV platform and its open design supports a wide variety of virtual network functions with some as sophisticated as the IP Multimedia Subsystem and Evolved Packet Core. We established the first open community advancing NFV, which we call the CloudBand Ecosystem, that currently involves almost 60 partners across the supply chain, with global service providers engaged in innovative co-creation projects. In 2014 we furthered our leadership by: more than tripling CloudBand's service provider engagements compared to a year ago (from 7 to 26), including 4 commercial deployment contracts.
- **Motive® Customer Experience Management (CEM).** A first-of-its-kind portfolio to automate care, service, network and IT operations with unparalleled data analysis. Today, there are over 600 Motive CEM deployments worldwide to fulfill, optimize and protect customer experiences.

- Motive Customer Care enables communications providers to offer, activate, support and manage a wide range of high-speed Internet, Voice-over-IP (VoIP), video, mobile and converged services. This software solution gives communications providers the tools they need to help their customers set up, manage, and meter their home and mobile devices and services. Our investment focus has been on deepening our analytics capabilities to support end-to-end assessments of customer experience, and on expanding our presence in mobile networks and applications.
- **Motive Dynamic Operations.** In 2014, we introduced a new dynamic portfolio of products and solutions that addressed the challenges of today's inflexible Operations Support Systems (OSS). The portfolio allows service providers to make their operational processes and software as agile as their virtualized network and data center, providing a unified view of the network and cloud infrastructure. The portfolio innovates in three unique ways: a new foundation that can dynamically identify and track all network resources; fully automated, programmable OSS that can fulfill orders and assure services; and a 'self-healing' environment driven by big data network analytics that evolves from automated recovery to predictive management. We have approximately 300 OSS customer relationships in over 70 countries.
- **Motive Big Network Analytics.** This portfolio helps service providers to better extract intelligence from the network and combine it with key customer data to improve strategic decision-making, operational efficiency, and customer experience and revenue generation. In 2014 we introduced new analytics capabilities so that service providers can introduce and operate VoLTE. We also launched the Motive Security Guardian, a virtualized security solution that allows service providers to protect their network and their customers' experience from malware.

- **Policy and Charging.** Offers real-time rating/charging and policy control capabilities that help our customers innovate their data plans to capture opportunities created by the shift from traditional voice and SMS business models to mobile-data-centric models. In 2014, enhancing virtualization capabilities was a key focus for both the 5780 Dynamic Services Controller (DSC) and SurePay products, addressing key service provider requirements. 2014 saw the first deployment of our virtualized DSC for policy control with a large service provider. In addition, we added capabilities to the DSC to support the fast growing Diameter Control Point market, which enables service providers to better address rapidly increasing signaling traffic. The number of customers that selected our DSC for Diameter Control more than doubled in 2014.
- **Consulting Services.** Works with customers to address their strategic and business issues by enabling them to transform and harness their network as a business platform, as well as accelerate innovation. Our experienced consulting team draws on our global business and solutions expertise. We guide our customers through a holistic and collaborative approach toward lasting positive change and aspire to be our customers' trusted advisor. Our consulting services help customers to audit, optimize, consolidate and evolve network infrastructure and operations to drive down cost and ensure they can take advantage of emerging opportunities. We also help customers to launch new infrastructure services and enter the fast-growing wholesale markets.

As part of The Shift Plan, we have stream-lined our payment business and disposed of certain portfolios within IP Platforms. In addition, we are phasing out our business support system (BSS) business and streamlining our OSS business. We are also carefully managing the Next Generation Intelligent Networking and Messaging businesses for profitability.

5.3 Access Segment

Overview

Smartphones, tablets, and other mobile, intelligent devices are increasingly pervasive, connecting people, businesses and societies in new and exciting ways. Service providers are challenged with connecting users and their devices to networks, services and applications. Demand for faster broadband services reflect a market environment in which broadband traffic is growing exponentially. More and more data, applications and services are moving to the cloud, stored in massive data centers. The access network is now the essential bridge between users and the cloud, making content, services and applications accessible on any device and at any time and from any location. The role of the access network is changing to deliver more capacity at the lowest cost without compromising performance and functionality.

In response to these changes in the role of the access network, we have re-positioned our wireless and fixed access portfolios to focus on Ultra-Broadband Access, providing our customers with high-speed, high capacity, high performance access solutions. These ultra-broadband solutions leverage the latest innovations in fixed and wireless access technologies and build on our leadership position in the fixed and wireless access markets.

In 2014, the Access segment focused its R&D efforts on:

- Ultra-fast fixed broadband solutions using copper and fiber technologies such as VDSL2, vectoring, G.fast and next-generation passive optical networking (NG-PON2)
- Ultra-fast mobile broadband solutions using wireless technologies such as LTE and small cells; and
- Highly distributed architectures for fixed access (also known as fiber-to-the-x, or FTTx) and wireless access (small cells, LTE overlay) that often require scalable approaches to aggregation and backhaul.

In addition to the Wireless Access and Fixed Access divisions, the Access Segment also includes our Licensing and Managed Services divisions.

In 2014 our Access segment revenues were €7,157 million including intersegment revenues and €7,151 million excluding intersegment revenues, representing 54% of our total revenues.

Wireless

The wireless industry continues to be dynamic and fast moving and competition among operators remains intense. As demand for mobile data grows, so have global LTE deployments. Operators appreciate that in order to satisfy increasing end user demand as well as gain competitive advantage, LTE is a necessity. We have seen a shift in the approach operators are taking to build their networks. Historically, in the migration from 2G to 3G, operators predominantly chose to build converged networks with a focus on saving costs through the operation of a single, common network. However, in the case of LTE, many operators are choosing an overlay approach, where LTE is deployed as a separate network over existing 2G/3G networks. LTE overlay makes sense because it is the fastest way to deploy LTE with the utmost coverage, capacity and performance.

We are also observing strong momentum in small cells with many operators deploying both 3G and 4G small cells as a way to rapidly and cost effectively add coverage and capacity exactly where it is needed. 2014 has seen small cells being deployed globally across the home, in-building and outdoor market segments. These deployments have increased the demand for LTE and multi-standard products. We believe that advances in the industry to address many of the challenges associated with small cell deployments will lead to wide scale small cell deployments.

Our wireless products and services portfolio enables mobile network operators to cost effectively satisfy the demand for mobile data capacity. In 2014, our wireless portfolio and investments focused on the growth areas of LTE and small cells and we continue our transition away from 2G/3G legacy technologies.

These investment focus areas mirror the wireless priorities of major mobile network operators as they respond to the increasing demand for mobile data services and increase the capacity of their wireless networks.

LTE (Long-Term Evolution)

Fuelled by the surge of mobile broadband data traffic, the market for 4G LTE is reaching maturity faster than any previous wireless technology. In 2014, the LTE total addressable market surpassed the combined total addressable market for 2G/3G wireless technologies (Dell Oro, January 2015). Further, according to the GSA (GSM Suppliers Association), at the end of 2014, there were 360 commercial LTE networks deployed across 124 countries supporting more than 373 million LTE subscribers. LTE creates an environment in which end users are able to use wireless networks to access high-bandwidth content at optimal cost, enabling the next generation of affordable services.

Our focus is on LTE Overlay solutions, the opportunity for which is growing significantly as an increasing number of operators recognize the need to move to LTE decisively. We believe that LTE Overlay is faster, safer and its dedicated network resources perform better. Our products and services offer the right expertise, tools, methodologies and experience, which we believe allow our customers to implement these services more quickly through end-to-end pre-testing, design tools, remote integration and proactive trouble shooting.

Small cells

Small cells cost effectively extend wireless network coverage and capacity, and improve the quality of experience (QoE) for subscribers wherever there are data traffic hotspots and coverage holes.

Our Small Cells portfolio is a comprehensive, end to end solution targeted at operators who want to extend 3G/4G network coverage and increase capacity in home, in-building or in the public domain. Our end to end solution encompasses a full suite of small cell access points, a 3G/4G multi-standard gateway, an operations, administration and management system and a set of wireless services that address operator challenges including access to sites, power, backhaul, and the need for rapid network design, access point installation and access point commissioning. Our small cells solutions allow operators to expand their network rapidly and cost effectively to deliver an enhanced end user quality of experience.

In the second half of 2014, we announced the development of our first multi-standard (3G/4G/Wi-Fi) enterprise small cell which is on track for commercial release in early 2015. The new 9962 Multi-Standard Enterprise Cell allows operators to meet the needs of their business customers and deliver in-building wireless services to support continued growth in data traffic and VoLTE service. This is the first small cell of its type to support both 3G and 4G LTE connectivity through a single chipset with key features like carrier aggregation. This product was developed as part of our partnership with Qualcomm, announced in July 2013. We also expanded this relationship to include LTE and multi-standard small cells for the residential segment.

Further in 2014, we announced that we teamed with JCDecaux, the number one outdoor advertising company worldwide, to deliver connected street furniture. Integrating our small cells with JCDecaux's street furniture assets is a powerful example of our Metro Cell Express solution in practice. The teams are working together to optimize the aesthetic integration of small cells in street furniture in order to provide cities and telecom operators with a global solution that is in tune with the urban environment.

Finally, we also announced a new small cells center of excellence at our new Cité de l'innovation in France, where we will work with our partners to simplify adoption of small cells into cities, buildings, and enterprise environments. The small cells center of excellence will support R&D personnel dedicated to small cells, including both multi-standard and LTE metro products, with resources focused on hardware, software, design and test.

We have been ranked number one in the small cell industry by leading analysts such as ABI Research, Current Analysis and Infonetics and we hold the largest number of small cell contracts in the industry with 76 customers in more than 50 countries.

Legacy wireless

Investment in the W-CDMA, GSM and CDMA portfolios have been reduced as we re-focus R&D on the growth segments within Wireless (LTE and Small Cells). In keeping with this strategy, in the second half of 2014, we signed a master service agreement with HCL of India for the outsourcing of our macro 2G and 3G research and development activities, and related technical support services and associated design, development and testing operations. We will retain product and portfolio ownership, as well as the customer relationship management and will continue to market and sell 2G/3G solutions.

RFS (Radio Frequency Systems)

RFS designs and sells cable, antenna, tower systems and their related electronic components, providing an end-to-end suite of radio frequency products. RFS serves original equipment manufacturers (OEMs), distributors, system integrators, network operators and installers in the broadcast, wireless communications, microwave and defense sectors. Specific applications for RFS products include cellular sites, in-tunnel and in-building radio coverage, microwave links, TV and radio.

Fixed access

Our Fixed Access division designs and develops fixed access products that allow service providers to offer Ultra-Broadband connectivity over digital subscriber lines (DSL) and fiber connections. Also known as fiber-to-the-x (FTTx) equipment, these products provide internet access and other services to residential and business customers around the world. These products also help complete the transformation of legacy networks to IP by providing IP connectivity for the last mile.

We are the worldwide leader in the fixed broadband access market supporting the largest mass deployments of voice, video and data services. According to industry analysts, we are the largest global supplier of DSL technology, with 42% of global DSL market share based on ports shipped, and the third largest global supplier of Gigabit Passive Optical Networking (or GPON) technology, with 22% of global market share. Our global installed base now includes more than 299 million DSL lines and more than 18 million GPON ports shipped. We are present in the largest and most advanced fiber-to-the-home deployments worldwide, including more than 170 GPON-based and more than 20 point-to-point fiber projects. We are the leader in VDSL2 deployments with more than 90 customer contracts, and we already have 28 customer contracts and over 65 trials for our VDSL2 Vectoring technology, which delivers 100Mbps speeds over existing copper infrastructure. Additionally, we concluded 30 trials for our newest DSL innovation G.fast.

We have become one of the leading suppliers to the Chinese market, which is the fastest growing broadband market in the world. We have the highest capacity fiber access platform on the market and the most advanced vectoring solution. Our strong position in both fiber and DSL technologies is key to providing service providers with the solutions they need to increase their revenue potential and drive down their operational costs while improving the quality and experience for end-user customers. Operators around the world have been looking at mixed copper/fiber deployment models to improve their business case. We have built solutions that let the operators mix and match the strengths of diverse technologies and deployment models (from FTTN with vectoring to FTTH and everything in between) to achieve the fastest possible return-on-investment and time-to-market and to connect more users, faster.

In 2014, the Fixed Access division focused its R&D efforts on:

- Fixed access products that support both copper and fiber access. The breadth of products and technologies supported by our fixed access portfolio allows service providers to deploy a mix of both copper and fiber technologies efficiently and in the most cost-effective way to suit whatever deployment model they need.
- High end micro-nodes portfolio with VDSL2 vectoring technology. The new micro-nodes give operators the opportunity to bring fiber deeper into the network and make use of VDSL2 vectoring to boost the speed without having to invest in bringing fiber completely into the home. The portfolio is customizable to serve all network needs.
- Continued investment in VDSL2 vectoring that increases data speeds to 100 Mbps or more and G.Fast which can increase the speed to 1Gbps over existing copper infrastructure to homes and businesses. We were the first vendor to demonstrate G.Fast live in the field with Telekom Austria and to announce a product.
- Continued investments in FTTH, focusing on technologies that accelerate the return on investment in fiber networks for service providers and being first on the market with next generation passive optical networking solutions (NG-PON2).
- DPoE (Docsis Provisioning of EPON) and 10G EPON on the high capacity 7360 ISAM FX platform. DPoE is a very important feature for cable Multiple System Operators (MSOs) as it makes the fiber network transparent in the management system, while bringing higher speeds, especially in the uplink. We won three major contracts for this solution in North America.

Licensing

The Licensing division actively pursues a strategy of licensing patents to generate revenues. We also license selected technologies to third parties to generate revenues. Additional revenues are generated through the sale of selected patents when that path best serves our needs.

Managed services

Our Managed Services division delivers innovative solutions for both the carrier and strategic industries markets. Our solutions help customers by delivering accelerated time to market, continuous improvement in service quality and a sustainable lower total cost of operations. Our portfolio offers two focused and innovative solutions, in addition to Network Operations Services:

- **The BOMT (Build-Operate-Manage-Transfer) Solution.** We help customers deploy and operate our new products, technologies and solutions faster. As part of the BOMT program, we operate and manage a customer's network and at the end of our contract we transfer the operations to the customer, with options to license our intellectual property.
- **The Operations Transformation Solution.** We control a customer's network operations and transform their multivendor network operation functions. We manage any legacy infrastructure a customer may have, and adapt the pace of the transformation to the customer's needs. Finally, at the end of the contract, we transfer the operations back to the customer, with options to license our intellectual property.
- **Network Operations Services.** We provide a cost-efficient approach to network monitoring and surveillance by delivering basic network operations fault management service and problem resolution from our global network operations centers. This includes Services management and customer experience management offerings.

5.4 Other Segment

Government

LGS Innovations provides secure networking, satellite communications, VoIP, optical routers and other solutions for the US national security, defense, and advanced research communities, and has a heritage as a trusted partner of the US Federal Government for more than 60 years. On March 31, 2014, we 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 further details, see Chapter 4 of this document.

In 2014 our Other segment revenues were €41 million, representing less than 1% of our total revenues.

5.5 Marketing, sales and distribution of our products

We sell substantially all of our products and services to the world's largest telecommunications service providers through our direct sales force. In some countries, such as China, our direct sales force may operate in joint ventures with local partners and through indirect channels. For sales to smaller and regional service providers, we use our direct sales force and value-added resellers. Our sales organization has primary responsibility for all customer-focused activities, and shares that responsibility with the sales teams at certain integrated units such as submarine systems and radio frequency systems. We also utilize partnerships with companies such as HP and Accenture to sell various products to service providers as well as other non-telecommunications segments.

In 2014, we created the Chief Marketing Office function which unifies our marketing and communications expertise into one global organization. In addition, we are adding go-to-market capabilities to broaden our reach in new markets around the world. More information about our organization can be found in Chapter 5.1 "Business Organization".

5.6 Competition

We have one of the broadest portfolios of product and services offerings in the telecommunications equipment and related services market, both for the carrier and non-carrier markets. Our addressable market segment is very broad and our competitors include large companies, such as Cisco Systems, Ericsson, Fujitsu, Huawei, Nokia, Samsung and ZTE as well as more specialized competitors such as Adtran, Calix, Ciena and Juniper. Some of our competitors, such as Ericsson and Huawei, compete across many of our product lines while others - including a number of smaller companies - compete in one segment or another. In recent years, consolidation has reduced the number of networking equipment vendors, and the list of our competitors may continue to change as the intensely competitive environment drives more consolidation.

We believe that technological advancement, product and service quality, reliable on-time delivery, product cost, flexible manufacturing capacities, local field presence and long-standing customer relationships are the main factors that distinguish competitors within each of our segments in their respective markets. Another factor that may serve to differentiate competitors, particularly in emerging markets, is the ability and willingness to offer some form of financing.

We expect that the level of competition in the global telecommunications networking industry will remain intense for several reasons. First, although consolidation among vendors results in a smaller set of competitors, it also triggers competitive attacks to increase established positions and market share, pressuring margins.

Consolidation or partnerships also allow some vendors to enter new markets with acquired technology and capabilities, effectively backed by their size, relationships and resources. In addition, carrier consolidation is continuing in both developed and emerging markets, resulting in fewer customers overall. Elsewhere, some service providers are considering network asset sharing or joint ventures to reduce overall costs. In areas where capital expenditures remain under pressure, the competitive impact of a smaller set of customers may be compounded. Most vendors are also targeting the same set of the world's largest service providers because they account for the bulk of carrier spending for new equipment. Competition is also accelerating around IP network technologies as carriers continue to shift capital to areas that support the migration to next-generation networks. Furthermore, competitors providing low-priced products and services from Asia have gained significant market share worldwide. They have gained share both in developed markets and in emerging markets, which account for a growing share of the overall market and which are particularly well-suited for those vendors' low-cost, basic communications offerings. As a result, we continue to operate in an environment of intensely competitive pricing.

5.7 Technology, research and development

Our research and development efforts have two primary focuses: research conducted by Bell Labs to lay the foundation for new and disruptive market opportunities; and product-focused development that transitions concepts to fully viable commercial offerings and enhances existing product lines with unique differentiators that enable us to distinguish our offerings from those of our competitors.

In 2014, our R&D community expanded on our historic record of innovation with achievements that keep us at the technological forefront of key market segments, from IP routing, transport and platforms to the cloud to ultra-broadband access technologies. Some highlights for 2014 are identified below, both in terms of products that are available to customers today, and research activities that have a longer horizon.

Product innovations

- We began 2014 by delivering a bold network functions virtualization (NFV) roadmap, including the virtualized Evolved Packet Core (vEPC), virtualized IP Multimedia Subsystem (vIMS) and virtualized Radio Access Network (vRAN) portfolio to help mobile network operators become more efficient, responsive and innovative. Our NFV solutions combine our networking technical acumen with extensive cloud capabilities, leveraging the CloudBand™ 2.0 NFV platform and Nuage Networks SDN innovations.
- We actively participate in the ETSI (European Telecommunications Standards Institute) NFV advisory board, and collaborate with industry experts such as Intel and members of the our CloudBand Ecosystem Program. This program includes almost 60 companies developing NFV solutions for service providers. We demonstrated our NFV progress at Mobile World Congress independently and together with China Mobile. In addition we announced an NFV co-innovation agreement with Telefónica.
- In November 2014, Nuage Networks launched the Virtualized Network Service (VNS). This product will help enterprises and service providers extend the benefits of Software Defined Networking policy driven network automation to branch locations to enable a more highly responsive operational environment.
- Also in November 2014, we introduced the industry's most complete portfolio of virtualized edge routing functions. The Virtualized Service Router (VSR) offers up to 8 times the performance of our competitors' solutions. We soon followed with an extension of our hardware-based edge routing portfolio. The 7750 SR-a offers high-density, high-performance aggregation of mobile backhaul, business and residential services in a compact, modular design. With our routing portfolio we are offering service providers both the specialized hardware and router software necessary to build a flexible network with the right performance and economics for the cloud era.
- To help providers stay ahead of ever-changing transport demands we delivered to market the first single-carrier 200G DWDM solution in April 2014. This allows operators to transmit data over distances as great as 4,000 km in 100G mode and as far as 1,000 km in 200G mode. It supports a smooth, scalable, agile, flexible and cost-efficient network evolution path to 400G and beyond in the future.
- Our Cloud DVR solution reached 28 petabytes of installed capacity and was used by Telefónica to bring network DVR services to nearly one million customers in Spain. The solution won a TV Connect Industry award and we collected our 2013 Technology and Engineering Emmy award in January. In September 2014, we launched a product that enables operators in the US to deploy Cloud DVR services economically while complying with content rights legislation.

- At Broadband World Forum we announced our first G.fast and the industry-first TWDM-PON (Time and Wavelength Division Multiplexed Passive Optical Networks) fixed ultra-broadband solutions. Our G.fast solution will allow operators to bring fiber even closer to subscribers' homes and use the last few meters of copper to deliver fiber-like speeds of up to 1 Gigabit per second. A1, a subsidiary of Telekom Austria announced the first ultra-broadband customer connection using our G.fast solution in October 2014. Our TWDM-PON fiber solution with 4 wavelengths per fiber allows providers to support different services on each wavelength, expand into new markets or collaborate with other operators to roll out fiber networks more quickly and cost-effectively. By extending our fixed ultra-broadband portfolio we are giving operators even more choice in connecting every last customer in the most flexible and efficient way.

Research activities

Software defined networks (network function virtualization)

Bell Labs has focused on SDN efficiency, control, and implementation so that Software Defined Networking can be applied to all segments of the network effectively. Researchers are also developing prototypes for the complementary aspect, placing network functions into the cloud with NFV, and demonstrating superior performance with virtualized services. In one example, Bell Labs and the corporate Chief Technology Office (CTO) team have publicly launched a tool (GWATT.NET) for assessing energy consumption across networks with different configurations, including SDN and NFV options.

Data analytics – customer care

Bell Labs is defining algorithms and data visualization techniques to improve the customer care of service providers. Researchers have developed tools to identify successful customer care interactions and to highlight opportunities for improving such engagements. The tools help service providers analyze records so that they can greatly reduce the cost of customer care. This research is also paving the way towards real-time optimization of customer care workflows.

Network applications

As more applications and services move to the cloud, it becomes increasingly necessary to distribute different parts of the applications across the worldwide network to gain efficiency. New methods of controlling and distributing cloud applications and services are achieving high gains in efficiency, so that only 1/10 the computing resources will be required to perform the same tasks.

Network algorithms

Bell Labs is developing software to support continuous queries on streaming data. Such queries are a key part of data mining for very large amounts of continuously generated data (for example, call logs). The software automatically transforms a conventional database query into a set of sub-queries, which it then executes on multiple computers. The software also ensures minimal bandwidth is needed for the flow of data through the program while executing streaming analytics queries with maximal parallelism. This software is an important step towards making data analytics practical and economical for streaming data. Research is developing more efficient network algorithms to intelligently process and respond to the massive real-time data flowing through mobile networks, enabling new classes of customer and network analytics.

Multimedia services

As video is the dominant traffic over networks, Bell Labs researchers are investigating how to assure an effective delivery of current and emerging multimedia services in the following ways:

- We created several new technologies in the wireless domain to optimize the delivery of video over wireless networks. We demonstrated Adaptive Guaranteed Bit Rate (Adaptive-GBR) which makes the Radio Access Network (RAN) "video aware" including in the following ways: by effectively managing and mitigating congestion; by efficiently using scarce wireless resources to ensure "fairness" in wireless resource allocation across users; and by increasing the quality of experience of services to the end user.
- Bell Labs developed a next generation of HTTP adaptive streaming, namely HTTP layered streaming, which combines scalable video coding and HTTP adaptive streaming concepts to provide a lower end-to-end latency, and better resilience to varying network loads by combining the benefits of best effort streaming with managed services. Further advances have been made in finding effective video delivery over existing http adaptive streaming systems, to reduce the impact of network variations on the video stream, and improve the perceived quality of experience.

Optics

- New spatial division multiplexing research continues to extend the capacity of optical fiber beyond the perceived limits by exploiting multiple light paths through the fiber. Research teams are also addressing SDM system reliability and security.

Fixed ultra-broadband

- Work on XG-FAST, an extension of G.fast technology, continues. Bell Labs researchers have set new records, achieving up to 10GBps over existing DSL links. These improvements are being standardized and offer an affordable way forward for broadband operators to improve their services for years to come.

Small cells and 5G wireless

- Bell Labs research is addressing the need for improved capacity, coverage, and reach across the diverse wireless landscape, with efforts in technologies such as dense MIMO, the new millimeter wave spectrum, and 5G, along with finding ways to evolve today's networks economically.

European public policy initiatives

- Bell Labs is participating in the European Union's Horizon 2020 (H2020) industry-wide consortium. H2020 aligns enterprises and academia to focus on common technology roadmaps to spur innovation and network commerce, along with driving EU network improvements. The EU H2020 is addressing many areas, including ICT (Information and Computing Technologies) and Sustainability.

Standards

Throughout 2014, representatives of our R&D community played leading roles in telecommunication standards bodies, helping foster and steer the development and advancement of key technologies. Researchers, engineers and developers from Bell Labs and our development teams participated in many dozens of standards organizations and an even greater number of working groups such as the 3GPP, 3GPP2, ATIS, Broadband Forum, CCSA, ETSI, IEEE, IETF, OMA, and TIA.

Partnerships and collaborations

As part of The Shift Plan, we are committed to refocus and expand innovation by redefining and leveraging our research capacities. We aim to implement a new engagement model for Bell Labs Research that is closer to its portfolio life cycle. We also plan to focus on in-house start-ups, as well as on industry partnerships, collaborations and co-developments with leading-edge customers. To exemplify this new model, we announced the following:

- **With Qualcomm:** We announced an expansion to our strategic R&D program to include the development of LTE and multi-standard residential small cells.
- **With Intel:** we announced a collaboration focusing on three areas of cloud R&D to optimize Intel architecture for our platforms in order to improve performance and scale: (i) virtual Radio Access Networks (RAN), developing and optimizing our LTE and LTE-Advanced wireless products, (ii) Cloud Platform, developing and optimizing our CloudBand NFV platform and (iii) high-performance packet processing for advanced IP/MPLS platforms and functions.
- **With HP:** We announced an expansion of our global alliance to help the world's largest organizations and service providers build network-enabled, distributed cloud solutions to create new business opportunities, enable efficiencies and improve customer service. HP will incorporate selected Alcatel-Lucent IP routing and optical products into its existing routing and storage portfolios, allowing organizations to more efficiently leverage the convergence of IT and telecommunications to realize reduced complexity and greater agility.
- **With Accenture:** we announced a strategic global alliance that would help service providers and large enterprises implement integrated ultra-broadband solutions.
- **With Eblink:** We signed a commercial and technological partnership agreement which would enable us to benefit from Eblink's advanced wireless fronthaul solutions.
- **With JCDecaux:** We announced that we would join forces in the development of connected street furniture, to house small cells in urban locations and improve connectivity.

5.8 Intellectual Property

In 2014, we obtained more than 3,000 patents worldwide, resulting in a portfolio of more than 33,000 active patents and over 15,000 patent applications totaling over 48,000 issued and pending patents worldwide across a vast array of technologies. We also continued to actively pursue a strategy of licensing selected technologies to expand the reach of our technologies and to generate licensing revenues.

We rely on patent, trademark, trade secret and copyright laws both to protect our proprietary technology and to protect us against claims from others. We believe that we have intellectual property rights or rights under licensing arrangements covering all of our material technologies.

We consider patent protection to be critically important to our businesses due to the emphasis on Research and Development and intense competition in our markets.

5.9 Sources and availability of materials

We make significant purchases of electronic components and other material from many sources. While we have experienced some temporary shortages in components and other commodities used across the industry, we have generally been able to obtain sufficient materials and components from various sources around the world to meet our needs. We continue to develop and maintain alternative sources of supply where technologically feasible for essential materials and components.

5.10 Seasonality

The typical quarterly pattern in our revenues - a weak first quarter, a strong fourth quarter and second and third quarter results that fall between those two extremes - generally reflects the traditional seasonal pattern of service providers' capital expenditures. In 2014, our revenues were in-line with the typical seasonal pattern. This seasonality could differ depending on varying business trends in any given quarter.

5.11 Our activities in certain countries

We operate in a large number of countries, some of which have been accused of human rights violations, are subject to economic sanctions and export controls by the U.S. Treasury Department's Office of Foreign Assets Control or have been identified by the U.S. State Department as state sponsors of terrorism. Our net revenues in 2014 attributable to Cuba, Iran, Sudan, and Syria represent much less than one percent of our total net revenues. Though we are not aware of any significant shareholder intending to divest the shares it owns in Alcatel Lucent on the basis of our activities in these countries, some U.S.-based pension funds and endowments have in the past announced their intention to divest the securities of companies doing business in these countries and some state and local governments have adopted, or are considering adopting, legislation that would require their state and local pension funds to divest their ownership of securities of companies doing business in these countries.

Disclosure of activities under Section 13(r) of the Securities Exchange Act of 1934

Under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, we are required to disclose whether Alcatel Lucent or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or certain designated individuals or entities. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

The following information is disclosed pursuant to Section 13(r). None of these activities involved U.S. affiliates of Alcatel-Lucent.

1. Alcatel-Lucent has provided technical support services to or for the benefit of Telecom Infrastructure Company of I.R. Iran ("TIC"). These services were provided in support of telecommunications network equipment that was sold previously to customers in Iran for end-use by TIC. TIC is a government-owned telecommunications infrastructure provider in Iran that serves as Iran's intercity, interprovincial and international telecom network operator. During 2014, our gross revenues received from these activities involving TIC were approximately €151,000 and net profits were approximately €57,000. The contract for these technical support services expired on September 30, 2014 and we intend to renew it in 2015.
2. In 2013, Alcatel-Lucent Deutschland AG, an Alcatel-Lucent subsidiary, reached a settlement agreement with Iranian Telecommunication Manufacturing Company Public Stock Corporation ("ITMC") on claims raised by ITMC related to contracts that were completed prior to 2007 for the delivery of telecommunications equipment and services. In the course of these contracts, performance bonds had been opened between 2001 and 2006 at Bank Tejarat, Bank Saderat and Bank Mellat and had been retained by ITMC as security against their claims. The settlement agreement stipulates that Alcatel-Lucent Deutschland AG shall pay €1,600,000 to ITMC as settlement for the claims and that, in return, performance bonds held by ITMC shall be released. In December 2014, the German Federal Bank approved payment of the settlement amount by Alcatel-Lucent Deutschland AG to a third party named as beneficiary by ITMC. No payments were made under the settlement agreement in 2014.
3. Alcatel-Lucent has two frame agreements for the supply of telecommunications network equipment and related services to two private companies in Iran, PATSA and Elmatco. The PATSA agreement is for end-use by the Shiraz Urban Rail Organization ("SURO") in support of operations of the Shiraz city metro rail system. We understand that SURO is owned by the government of the city of Shiraz. The Elmatco agreement is for end-use by a group of state-owned regional electricity companies, including Esfahan Regional Electric Company, Iran Power Distribution Company and Gharb Regional Electric Company. In 2014, Alcatel Lucent did not recognize any revenues or net profits attributable to these frame agreements. We intend to fulfill our remaining obligations under these agreements, subject to compliance with applicable laws.
4. Two non-U.S. subsidiaries of Alcatel-Lucent have branches in Iran that maintain bank accounts at Bank Tejarat for purposes of carrying out financial transactions in connection with their general business activities.
5. Alcatel Lucent is considering additional opportunities involving Iran, consistent with applicable laws.

Operating and financial review and prospects

6

Forward looking information

This Form 20-F, including the discussion of our Operating and Financial Review and Prospects, contains forward-looking statements based on beliefs of our management. We use the words "anticipate", "believe", "expect", "aim", "may", "target", "seek", "estimate", "predict", "potential", "intend", "should", "plan", "project", "strive" or the negative of these terms or similar expressions to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, including, among others, changes in general economic and business conditions. Such factors could negatively impact our ability to achieve the goals of The Shift Plan by the end of 2015, including the refocusing of the Group's innovation efforts, the targeted revenues, operating margin and operating cash flows, the overall targeted cost savings and asset sales, and the level of debt re-profiling and debt reduction. A detailed description of such risks and uncertainties is set forth in Chapter 3 "Risk Factors" in this Form 20-F. The forward-looking statements include, but are not limited to, the forecasts and targets set forth in this Form 20-F, such as the discussion below in this Chapter 6 under the heading "Strategy and Outlook" of our targets, for: (i) revenues from the Core Networking segment at or above €7 billion with a segment operating margin at or above 12.5% and (ii) segment operating cash flow from the Access segment at or above €200 million. Such forward-looking statements also include the statements regarding the expected level of restructuring costs in 2015 that can be found under the heading "Liquidity and capital resources", and statements regarding the amount we would be required to pay in the future pursuant to our existing contractual obligations and off-balance sheet contingent commitments that can be found under the heading "Contractual obligations and off-balance sheet contingent commitments". These and similar statements are based on management's current views, estimates and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated by such statements. We caution readers not to place undue influence on these statements, which speak only as of the date of this report.

Presentation of financial information

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes presented elsewhere in this document. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

As of December 31, 2014, all IFRSs that the International Accounting Standards Board (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 our financial statements.

As a result, our consolidated financial statements for the years presented in this document in accordance with IFRS would be no different if we had applied International Financial Reporting Standards issued by the IASB. References to "IFRS" in this Form 20-F refer to IFRS as adopted by the EU.

As a result of the purchase accounting treatment of the Lucent business combination required by IFRS, our results for 2014, 2013 and 2012 included several negative and non-cash impacts of purchase accounting entries.

Changes in accounting standards as of January 1, 2014

Published IASB financial reporting standards, amendments and interpretations applicable to the Group that the EU has endorsed, that are mandatory in the EU as of January 1, 2014, and that the Group has adopted:

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" (issued October 2012); and
- IFRIC Interpretation 21: "Levies" (issued May 2013).

Published IASB financial reporting standards, amendments and interpretations applicable to the Group that the EU has endorsed, that are mandatory in the EU as of July 1, 2014 and that the Group has adopted:

- Annual Improvements to IFRSs (2010 – 2012) (issued December 2013) (certain of these annual improvements are only effective for annual periods beginning on or after July 1, 2014).

Published IASB financial reporting standards, amendments and interpretations applicable to the Group that the EU has endorsed, that are mandatory in the EU as of January 1, 2014, and that the Group adopted in 2013:

- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" (issued May 2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance (issued June 2012);
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (issued December 2011);
- IFRS 10 "Consolidated Financial Statements" (issued May 2011);
- IFRS 11 "Joint Arrangements" (issued May 2011);
- IFRS 12 "Disclosure of Interests in Other Entities" (issued May 2011);
- IAS 27 "Separate Financial Statements" (issued May 2011); and
- IAS 28 "Investments in Associates and Joint Ventures" (issued May 2011).

These new IFRS standards and amendments had no material impact on our consolidated financial statements.

Critical accounting policies

Our Operating and Financial Review and Prospects is based on our consolidated financial statements, which are prepared in accordance with IFRS as described in Note 1 to our consolidated financial statements. Some of the accounting methods and policies used in preparing our consolidated financial statements under IFRS are based on complex and subjective assessments by our management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of our assets, liabilities and shareholders' equity and of our earnings could differ from the value derived from these estimates if conditions changed and these changes had an impact on the assumptions adopted.

We believe that the accounting methods and policies listed below are the most likely to be affected by these estimates and assessments:

a/ Valuation allowance for inventories and work in progress (see Note 18 to our consolidated financial statements)

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

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 to our consolidated financial statements)

Goodwill net, is allocated, where applicable, to cash generating units that are equivalent to a product division or groups of product divisions within our reporting structure. Product divisions are two levels below our three 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 to our consolidated financial statements)

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 to our consolidated financial statements)

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/ Provision for warranty costs and other product sales reserves (see Note 25 to our consolidated financial statements)

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 to our consolidated financial statements)

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 to our consolidated financial statements)

The evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Group analyzes past events and the positive and negative elements of 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 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 to our consolidated financial statements)

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 2014 net pension and post-retirement benefits costs (determined in accordance with IAS 19 "Employee Benefits" (revised)) by approximately €75 million and €(34) 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 our 2014 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, 2014 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, 2014, 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 €308 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 to our consolidated financial statements), we estimated that, as of December 31, 2014, the excess of assets above 120% of the plan obligations was U.S.$1.8 billion (€1.5 billion), and the excess above 125% of plan obligations was U.S.$1.4 billion (€1.2 billion).

h/ Revenue recognition (see Note 6 to our consolidated financial statements)

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 our 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 goodwill impairment test

On July 26, 2012, we announced the launch of the "Performance Program" to achieve additional cost reductions to bring total savings to €1.25 billion by the end of 2013. This program included the elimination of approximately 5,500 jobs across the Group, and provided for exiting or restructuring unprofitable Managed Services contracts, along with associated headcount reductions, and exiting or restructuring unprofitable markets.

On June 19, 2013, we announced the launch of The Shift Plan. Through this plan and the remainder of the Performance Program, we aim at (i) reducing our fixed-cost base by €950 million in 2015 compared to our 2012 cost base at constant exchange rates (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, 2014, we expensed €238 million of restructuring costs for these actions. The remaining restructuring costs related to The Shift Plan will be reserved and 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 to our consolidated financial statements. 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.

6.1 Overview of 2014

In 2014, the telecommunications equipment and related services market witnessed mixed trends across different regions. Investments in IP and ultra-broadband access technologies, such as routing and LTE, led to robust investments in the U.S. notably in the first half of the year. China also benefitted from strong network investments as TD-LTE deployments accelerated early in 2014 while the telecommunications equipment market in Europe continued to show signs of easing.

In addition to regional trends, industry trends also played a significant role in shaping the spending for telecommunications equipment and related services in 2014. The telecommunications industry continues to experience fast changes driven by the massive adoption of new mobile devices and of new applications and services. We estimate that approximately 3.9 billion people will be connected to the Internet by 2017 and that by 2020 there will be more than 70 billion connected devices. Growth of data traffic has put significant pressure on telecommunications providers to improve their networks in terms of coverage, capacity and quality. To meet these demands, network operators continue their transition to all-IP architectures, with an emphasis on fast access to their networks through copper, fiber, LTE and new digital services delivery. We are also seeing similar trends with cable operators, who are investing to deploy high-speed networks. Additionally, network and cloud infrastructure are intersecting, allowing for the hosting of enterprise and consumer applications. Web scale companies, such as Amazon and Google, and large enterprises are driving the development of huge data centers, providing seamless IP interconnection and digital services delivery on a large scale. From 2012 to 2017, we expect a 440% increase in data center traffic. IP routing is at the heart of the telecommunications equipment and related services industry transformation, impacting fixed and mobile broadband as well as cloud services.

To better align ourselves with these industry trends, on June 19, 2013 we announced The Shift Plan, a detailed three-year plan to reposition our Company as a specialist provider of IP and Cloud Networking and Ultra-Broadband Access, the high-value equipment and services that are essential to high-performance networks.

Our progress on The Shift Plan through December 31, 2014 can be found in Chapter 6.6 "Strategy and Outlook".

This combination of regional and industry trends resulted in mixed spending in the market for telecommunications equipment and related services in 2014. These trends, in addition to other factors, were key drivers of how our own businesses performed in 2014, with total sales decreasing 4.6% compared to 2013, as growth in technologies such as IP Routing and LTE was offset by the impacts of the restructuring of our Managed Services business. Further details on segment performance can be found in Chapter 6.2 "Consolidated and segment results of operations for the year ended December 31, 2014 compared to the year ended December 31, 2013."

6.2 Consolidated and segment results of operations for the year ended December 31, 2014 compared to the year ended December 31, 2013

The following discussion takes into account our results of operations for the year ended December 31, 2014 and December 31, 2013, on the following basis:

- Due to the sale of 85% of the Enterprise business in 2014, results pertaining to this business for 2014 were treated as discontinued operations and results for 2013 have been re-presented accordingly. Results for 2013 have also been re-presented to reflect the subsequent immaterial perimeter adjustments resulting from the sale of Enterprise.

Revenues. Revenues totaled €13,178 million in 2014, a decline of 4.6% from €13,813 million in 2013. Approximately 64% of our revenues for 2014 were denominated in or linked to the U.S. dollar. When we translate our non-euro sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. If there had been constant exchange rates in 2014 as compared to 2013 our consolidated revenues would have decreased by approximately 4.2% instead of the 4.6% decrease actually reported. This is based on applying (i) to our sales made directly in currencies other than the euro effected during 2014, the average exchange rate that applied for 2013, instead of the average exchange rate that applied for 2014, and (ii) to our exports (mainly from Europe) effected during 2014 which are denominated in other currencies and for which we enter into hedging transactions, our average hedging rates that applied for 2013. In the fourth quarter of 2014, the strengthening in the value of other currencies including the U.S. dollar, relative to the euro had a positive effect on our reported revenues. Our management believes that providing our investors with our revenues for 2014 at a constant exchange rate facilitates the comparison of the evolution of our revenues with that of our competitors in the industry.

Additionally, if there had been constant exchange rates in 2014 as compared to 2013 and a constant perimeter, meaning that we would exclude revenues related to LGS Innovations that was sold at the end of the first quarter of 2014, our consolidated revenues would have decreased by approximately 3.0% instead of the 4.6% decrease actually reported. Our management uses our revenues for 2014 at a constant exchange rate and constant perimeter internally and they believe that providing our investors with this information facilitates the comparison of the evolution of our revenues with that of our competitors in the industry.

The table below sets forth our revenues as reported, the conversion and hedging impact of the euro/other currencies, the perimeter adjustment for LGS and our revenues at a constant rate and constant perimeter:

(In millions of euros)	Year ended December 31, 2014	Year ended December 31, 2013	% Change
Revenues as reported	13,178	13,813	-4.6%
Conversion impact euro/other currencies	60		0.5%
Hedging impact euro/other currencies	(1)		0.0%
Perimeter (LGS)	(41)	(210)	
Revenues at constant rate and constant perimeter	13,196	13,603	-3.0%

Revenues by Segment and division

The following table sets forth revenues by segment and division:

(In millions of euros)	2014	2013
Core Networking	**5,966**	**6,151**
IP Routing	*2,368*	*2,253*
IP Transport	*2,114*	*2,120*
IP Platforms	*1,484*	*1,778*
Access	*7,157*	*7,447*
Wireless	*4,685*	*4,510*
Fixed	*2,048*	*2,069*
Managed Services	*369*	*791*
Licensing	*55*	*77*
Other	41	210
Other and Unallocated	14	5
TOTAL	13,178	13,813

Core Networking segment

Revenues in our Core Networking segment, which consists of our IP Routing, IP Transport and IP Platforms divisions, were €5,966 million in 2014, a decrease of 3.0% from €6,151 million in 2013, using current exchange rates. When we translate the non-euro portion of Core Networking sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. If there had been constant exchange rates in 2014 as compared to 2013, our Core Networking segment revenues would have decreased by 2.4 % instead of the 3.0% decrease actually reported.

Revenues in our IP Routing division were €2,368 million in 2014, an increase of 5.1% from €2,253 million in 2013. The year-over-year growth was driven by the continued success of our IP/MPLS service router portfolio, as service providers invest to keep up with the growing demand for bandwidth for services such as video. In 2014, we expanded our portfolio with the introduction of the Virtualized Service Router (VSR) which allows service providers and large enterprises to build a flexible network and operate service router software on standard servers. Our IP Core router, the 7950 XRS, continued to build momentum through 2014, with 36 total contracts as of the end of 2014. Nuage Networks™, our wholly owned subsidiary focused on software defined networking (SDN) solutions, continued its traction in the marketplace, closing 2014 with 16 customers. Nuage Networks also introduced its Virtualized Networks Services (VNS) solution which will help enterprises and service providers extend the benefits of SDN to branch locations.

Revenues in our IP Transport division, which includes our Terrestrial and Submarine Optics businesses, were €2,114 million in 2014, a decrease of 0.2% from €2,120 million in 2013. Within IP Transport, we witnessed mixed trends as revenues in our terrestrial business increased in 2014, driven by our strength in our WDM portfolio. This increase was offset by declines in our Submarine Optics business, which showed signs of an upward cycle recovery and order backlog build-up as we exited 2014. Within our WDM portfolio, our 1830 Photonic Service Switch continues to grow as a percentage of total optical revenues, reaching 49% in 2014, compared to 38% in 2013. Our 100 Gigabit optical single carrier coherent technology continues to be one of the growth drivers in our WDM portfolio, as its relative share of port shipments continues to increase, to 34% in 2014 from 26% in 2013.

Revenues in our IP Platforms division, which includes software and related services, were €1,484 million in 2014, a decrease of 16.5% from €1,778 million in 2013. 2014 was a transitional phase for the IP Platforms business, reflecting our strategy to rationalize the portfolio and leverage on growth engines such as IP Communications (including IMS and Subscriber Data Management), Motive Customer Experience and Policy & Charging. Our portfolio rationalization drove the decline in revenues in 2014, as well as weaker revenues from legacy platforms. These trends were partially offset by growth in our Motive portfolio and resilience in our IMS portfolio which was impacted by delayed VoLTE rollouts in the latter part of the year.

Access segment

Revenues in our Access segment, which consists of our Wireless Access, Fixed Access, Managed Services and Licensing divisions, were €7,157 million in 2014, a decrease of 3.9% from €7,447 million in 2013, using current exchange rates. When we translate the non-euro portion of Access sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. If there had been constant exchange rates in 2014 as compared to 2013, our Access segment revenues would have decreased by 3.6% instead of the 3.9% increase actually reported.

Revenues in our Wireless Access division increased 3.9% in 2014, to €4,685 million from €4,510 million in 2013. Within the Wireless Access business, we witnessed strong year-over-year growth in our LTE revenues, driven by strong U.S. investments throughout the year and LTE deployments in China, notably in the first half of the year. This growth overcame declines in legacy technologies. Throughout 2014, we continued to diversify our LTE customer base, now with over 70 contracts. In 2014, we also expanded our focus on small cell adoption, with 76 total customers and the announcement of our Multi-Standard Enterprise Small Cell device, in collaboration with Qualcomm that will allow operators to extend 3G, 4G LTE and Wi-Fi connectivity and coverage into the office for in-building coverage.

Revenues in our Fixed Access division were €2,048 million in 2014, a decrease of 1.0% from €2,069 million in 2013, as growth in VDSL2 vectoring and fiber, notably in Europe and Asia Pacific, excluding China, was offset by declines in legacy products and the slowdown in specific customer rollouts in North America in the latter part of the year. During 2014, we launched the industry's first Time and Wavelength Division Multiplexed Passive Optical Networks (TWDM-PON) solution, also known as NG-PON2, which can converge residential, business and mobile traffic onto one network. We also introduced our G.fast solution that allows operators to place fiber closer to subscribers' homes, with 10 trials concluded in 2014.

Revenues in our Managed Services division were €369 million in 2014 compared to €791 million in 2013, a decrease of 53.4%, as this business continued to be impacted by our strategy to terminate or restructure margin-dilutive contracts.

Revenues in our Licensing division were €55 million in 2014 compared to €77 million in 2013, a decrease of 28.6%.

Other segment

Revenues in our Other segment, which included our Government business which was sold in the first quarter of 2014, were €41 million in 2014 compared to €210 million in 2013, which included a full year of results.

Revenues by geographical market

Revenues in 2014 and in 2013 by geographical market (calculated based upon the location of the customer) are as shown in the table below:

(In millions of euros)

Revenues by geographical market	France	Other Western Europe	Rest of Europe	China	Other Asia Pacific	U.S.	Other Americas	Rest of world	Consolidated
2014	771	1,929	282	1,342	1,289	5,488	1,009	1,068	13,178
2013	798	2,125	361	1,097	1,230	5,986	1,209	1,007	13,813
% Change 2014 vs. 2013	-3%	-9%	-22%	22%	5%	-8%	-17%	6%	-4.6%

In 2014, the United States accounted for 41.6% of revenues, down from 43.3% in 2013. Revenues declined 8% in the U.S. as investments in LTE were not enough to offset declines in other technologies, mainly in legacy optical and Fixed Access. Europe accounted for 22.6% of revenues in 2014 (5.9% in France, 14.6% in Other Western Europe and 2.1% in Rest of Europe), down from 23.8% in 2013 (5.8% in France, 15.4% in Other Western Europe and 2.6% in Rest of Europe). Europe witnessed encouraging trends in 2014, particularly in IP Routing, IP Transport and Fixed Networks, while revenues were tempered by the impact of the implementation of our strategy in Managed Services. Within Europe, revenues declined in each area: 3% in France, 9% in Other Western Europe and 22% in Rest of Europe. Asia-Pacific accounted for 20.0% of revenues in 2014 (10.2% in China and 9.8% in Other Asia Pacific), up from 16.8% in 2013 (7.9% in China and 8.9% in Other Asia Pacific), with growth mainly attributable to increased spending in China as LTE was deployed in the country. Revenues in Other Americas were negatively impacted by a slowdown in Central and Latin America in 2014 driving revenues to decline 17% from 2013, as its share of total revenue declined from 8.8% to 7.7%. The Rest of World share of total revenue increased to 8.1% in 2014 compared to 7.3% in 2013, as revenues increased 6% in the region.

Gross Profit. In 2014, gross profit as a percentage of revenues increased to 33.4% of revenues compared to 31.2% in 2013, and increased in absolute terms, to €4,408 million in 2014 from €4,322 million in 2013. The increase in gross profit was mainly attributable to a favorable product mix, operational improvements and reduced fixed costs.

We sell a wide variety of products in many geographic markets. Profitability per product can vary based on a product's maturity and our overall competitive position. In addition, profitability can be impacted by geographic area, depending on the local competitive environment, our market share and the procurement policy of our customers. During 2014, we witnessed trends, where, as noted above, a shift in product mix positively impacted gross profit.

Administrative and selling expenses. In 2014, administrative and selling expenses were €1,621 million or 12.3% of revenues compared to €1,862 million or 13.4% of revenues in 2013. The 12.9% decline in administrative and selling expenses year-over-year reflects the progress we have made in reducing fixed costs as part of The Shift Plan launched in 2013. Included in administrative and selling expenses are non-cash purchase accounting entries resulting from the Lucent business combination of €27 million in 2014 and €32 million in 2013.

Research and development costs. Research and development costs were €2,215 million or 16.8% of revenues in 2014, after the net impact of capitalization of €(2) million of development expense, a decrease of 2.3% from €2,268 million or 16.4% of revenues after the net impact of capitalization of €(34) million of development expense in 2013. The 2.3% decrease in research and development costs reflects a reduction in the overall level of R&D, notably for legacy technologies. Capitalization of R&D expense was negative in both 2014 and 2013, reflecting the fact that the amortization of our capitalized R&D costs was greater than new R&D costs capitalized during this period. Included in research and development costs are non-cash purchase accounting (PPA) entries resulting from the Lucent business combination of €24 million in 2014 and €54 million in 2013 with the decline due mainly to the phasing out of the amortization of certain in-process R&D.

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. We recorded income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments of €572 million in 2014 compared to income of €192 million in 2013. The improvement in 2014 reflects higher gross profits in addition to lower administrative and selling expenses and research and development costs. Non-cash purchase accounting (PPA) entries resulting from the Lucent business combination had a negative impact of €51 million in 2014, which was lower than the impact of €86 million in 2013 mainly due to the phasing out of the amortization of certain in-process R&D.

The tables below set forth our revenues and segment operating income (loss) for the years ended December 31, 2014 and December 31, 2013:

(In millions of euros)

Twelve months ended December 31, 2014	Core Networking	Access	Other	Total Reportable Segments	Other and unallocated amounts	Total
Revenues	5,966	7,157	41	13,164	14	13,178
Segment Operating Income (Loss)	630	42	-	672	(49)	623
PPA Adjustments (excluding restructuring costs and impairment of assets)						**(51)**
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						572

(In millions of euros)

Twelve months ended December 31, 2013	Core Networking	Access	Other	Total Reportable Segments	Other and unallocated amounts	Total
Revenues	6,151	7,447	210	13,808	5	13,813
Segment Operating Income (Loss)	479	(85)	5	399	(121)	278
PPA Adjustments (excluding restructuring costs and impairment of assets)						**(86)**
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						192

In 2014, a segment operating income of € 623 million for the Group, adjusted for €51 million in PPA yielded income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments of €572 million. In 2013, a segment operating income of €278 million for the Group, adjusted for €86 million in PPA yielded an income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments of €192 million.

Operating income in our Core Networking segment was €630 million or 10.6% of revenues in 2014, compared with an operating income of €479 million or 7.8% of revenues in 2013. The year-over-year improvement in Core Networking segment operating income reflects the efforts we have made to improve our cost structure, notably with operating expenses, leading to higher operating income contributions from certain divisions.

Operating income in our Access segment was €42 million in 2014, compared with an operating loss of €85 million in 2013. The year-over-year improvement in our Access segment operating income reflects the work we are doing to improve our cost structure to achieve profitability in our Wireless Access division as part of The Shift Plan in addition to continued strong contribution from our Fixed Networks division.

Segment operating income in the Other segment was €0 million in 2014, as this business was sold in the first quarter of 2014, compared with an income of €5 million or 2.4% of revenues in 2013, which included a full year of results.

Restructuring Costs. Restructuring costs were €574 million in 2014, compared to €518 million in 2013. The cost of new restructuring plans increased in 2014 compared to 2013 due to the implementation of The Shift Plan and primarily related to severance payments, early retirement payments, costs for notice periods not worked, training costs of terminated employees, costs linked with the closure of facilities or the discontinuance of product lines and costs arising from plans that materially change the scope of business undertaken by the Group.

Litigations. In 2014, we booked a litigation credit of €7 million compared to 2013, when we booked a litigation charge of €2 million.

Gain/(loss) on disposal of consolidated entities. In 2014, we recognized a gain on the disposal of consolidated entities of €20 million mainly related to a €39 million gain from the sale of our cyber-security services and solutions and communications services activities partially offset by an €11 million loss recognized related to the sale of LGS Innovations LLC, compared to 2013, when we booked a gain on the disposal of consolidated entities of €2 million.

Impairment of assets. In 2014, we did not book any charges related to the impairment of assets. In 2013, we booked an impairment of assets charge of €548 million, mainly related to our Wireless product division goodwill.

Post-retirement benefit plan amendments. In 2014, we booked a €112 million credit that included (i) an €80 million gain related to a reduction in our obligation to pay for formerly represented retirees who are subject to annual dollar caps in exchange for a three year extension of post-retirement healthcare benefits, (ii) a €25 million gain related to the discontinuation of the subsidy for retiree healthcare benefits for former Management retirees who retired on or after March 1, 1990 and who are under 65 years old and (iii) a €7 million gain related to the conversion of defined benefit pension plans for current active Dutch employees into a defined contribution pension plan under which the Group no longer guarantees any pension increase. In 2013, we booked a €135 million credit that included (i) a €55 million gain related to the change in retiree healthcare benefits for formerly represented retirees resulting from the extension of benefits until December 31, 2016 and a reduction in our obligation to pay for retirees who are subject to annual dollar caps, (ii) a €41 million gain related to the amendment of AUXAD, a French supplemental pension plan, to align it with the conditions of the French AGIRC (General Association of Pension Institutions for Managerial Staff) scheme, (iii) a €35 million gain related to an amendment of German pension plans where the traditional pension plans of most active German employees have been transferred into a new cash balance plan whose benefits are lower than in previous plans and (iv) a gain of €4 million related to the amendment of our U.S. long term disability plan, where long-term medical benefits for disabled U.S. former employees will be provided by the retiree medical plan.

Income (loss) from operating activities. Income (loss) from operating activities was an income of €137 million in 2014, compared to a loss of €739 million in 2013. The improvement in income (loss) from operating activities in 2014 is due to no impairment charge, higher gross profits, lower administrative and selling expenses and research and development costs and a gain on disposal of consolidated entities, partially offset by higher restructuring costs and lower contributions from post-retirement benefit plan amendments.

Finance costs. Finance costs were €291 million in 2014, a decrease from €392 million in 2013. The decrease in finance costs was mainly due to a decrease in interest paid, from €462 million in 2013 to €359 million in 2014, slightly offset by a decrease in interest earned from €70 million in 2013 to €68 million in 2014. The 2014 decrease in interest paid is mainly due to the refinancing and balance sheet restructuring activities leading to a decrease in our gross financial debt, notably attributable to the early repayment in January 2014 of the outstanding U.S.$931 million on the 7.75% convertible trust preferred securities issued by Lucent Technologies Capital Trust I.

Other financial income (loss). Other financial losses were €211 million in 2014, compared to €318 million in 2013. In 2014, other financial loss consisted primarily of (i) a €101 million loss related to the impact of the re-evaluation of the Alcatel-Lucent USA, Inc. Senior Secured Credit Facility that we repaid on August 19, 2014, (ii) a loss of €44 million related to the financial component of pension and post-retirement benefit costs and (iii) a loss of €30 million related to partial repurchase of our Senior Notes due 2016. These losses were partially offset by a reversal of impairment loss of €15 million. In 2013, other financial losses consisted primarily of (i) €134 million related to a net loss on convertible bonds and notes repurchased in 2013, (ii) a loss of €84 million related to the financial component of pension and post-retirement benefit costs , (iii) a loss of €39 million related to the change of estimated future cash flows in respect of the irrevocable commitment we made to repay in January 2014 the 7.75% convertible trust preferred securities issued by Lucent Technologies Capital Trust I, (iv) a loss of €24 million related to the amortization of outstanding costs arising from the repayment of the Alcatel-Lucent USA, Inc. U.S.$500 million asset sale facility established in 2013, (v) a net loss of €24 million on foreign exchange and (vi) a loss of €21 million related to the accelerated amortization of outstanding costs related to the repayment of the Alcatel-Lucent USA, Inc euro tranche Senior Secured Credit Facility established in 2013.

Share in net income (losses) of equity affiliates. Share in net income of equity affiliates was €15 million in 2014, compared with €7 million in 2013.

Income (loss) before income tax and discontinued operations. Income (loss) before income tax and discontinued operations was a loss of €350 million in 2014 compared to a loss of €1,442 million in 2013.

Income tax (expense) benefit. We had an income tax benefit of €316 million in 2014, compared to an income tax benefit of €173 million in 2013. The income tax benefit for 2014 resulted from a current income tax charge of €61 million in addition to a net deferred income tax benefit of €377 million. The €377 million net deferred income tax benefit mainly includes €363 million of deferred tax assets recognized due to the reassessment of the recoverability of deferred tax assets in the United States. The income tax benefit for 2013 resulted from a current income tax charge of €56 million in addition to a net deferred income tax benefit of €229 million. The €229 million net deferred income tax benefit included: (i) €85 million in deferred tax benefits related to Alcatel-Lucent USA, Inc.'s post-retirement benefit plans, (ii) €64 million related to the reversal of deferred tax liabilities mainly related to the repayment of the Alcatel-Lucent USA, Inc. 2.875% Series A and B convertible debentures, the irrevocable commitment to repay the Lucent Technologies Capital Trust I's 7.75% convertible trust preferred securities and the repayment of the 2015 OCEANE (iii) €58 million of other deferred income tax benefits, net, primarily related to the re-assessment of the recoverability of certain deferred tax assets in the U.S. and (iv) €45 million of deferred income tax benefits related to the reversal of deferred tax liabilities accounted for in the purchase price allocation of Lucent. These benefits were slightly offset by a deferred tax charge of €23 million related to the post-retirement benefit plan amendments we implemented in 2013.

Income (loss) from continuing operations. We had a loss from continuing operations of €34 million in 2014 compared to a loss of €1,269 million in 2013.

Income (loss) from discontinued operations. We had a loss from discontinued operations of €49 million in 2014 mainly related to the disposal of our Enterprise business. We had a loss from discontinued operations of €25 million in 2013 mainly related to 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.

Non-controlling Interests. Non-controlling interests accounted for an income of €35 million in 2014, compared to an income of €10 million in 2013. The improvement in 2014 compared to 2013 is due largely to income from our operations in China through Alcatel-Lucent Shanghai Bell, Co. Ltd. and its subsidiaries.

Net income (loss) attributable to equity holders of the parent. A net loss of €118 million was attributable to equity holders of the parent in 2014, compared to a net loss of €1,304 million in 2013.

6.3 Consolidated and segment results of operations for the year ended December 31, 2013 compared to the year ended December 31, 2012

The following discussion takes into account our results of operations for the year ended December 31, 2013 and December 31, 2012, on the following basis:

- As part of The Shift Plan announced on June 19, 2013, effective from July 1, 2013, we implemented a new organization composed of three reportable segments: Core Networking, Access and Other. The results of operations for the comparable 2012 period are re-presented according to this organization in order to facilitate comparison with 2013.
- Due to the sale of 85% of the Enterprise business in 2014, results pertaining to this business for 2013 and 2012 were re-presented and treated as discontinued operations. Results for 2013 and 2012 have also been re-presented to reflect the subsequent immaterial perimeter adjustments resulting from the sale of Enterprise.

Revenues. Revenues totaled €13,813 million in 2013, an increase of 0.4% from €13,764 million in 2012. Approximately 61% of our revenues for 2013 were denominated in or linked to the U.S. dollar. When we translate our non-euro sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. The decline in the value of other currencies, including the U.S. dollar, relative to the euro in 2013 compared with 2012 had a negative effect on our reported revenues. If there had been constant exchange rates in 2013 as compared to 2012, our consolidated revenues would have increased by approximately 3.5% instead of the 0.4% increase actually reported. This is based on applying (i) to our sales made directly in currencies other than the euro effected during 2013, the average exchange rate that applied for 2012, instead of the average exchange rate that applied for 2013, and (ii) to our exports (mainly from Europe) effected during 2013 which are denominated in other currencies and for which we enter into hedging transactions, our average hedging rates that applied for 2012. Our management believes that providing our investors with our revenues for 2013 at a constant exchange rate facilitates the comparison of the evolution of our revenues with that of our competitors in the industry.

The table below sets forth our revenues as reported, the conversion and hedging impact of the euro/other currencies and our revenues at a constant rate:

(In millions of euros)	Year ended December 31, 2013	Year ended December 31, 2012	% Change
Revenues as reported	13,813	13,764	0.4%
Conversion impact euro/other currencies	442		3.2%
Hedging impact euro/other currencies	(9)		-0.1%
Revenues at constant rate	14,246	13,764	3.5%

Revenues by Segment and division

The following table sets forth revenues by segment and division:

(In millions of euros)	2013	2012
Core Networking	6,151	6,233
IP Routing	*2,253*	*2,141*
IP Transport	*2,120*	*2,369*
IP Platforms	*1,778*	*1,723*
Access	*7,447*	*7,293*
Wireless	*4,510*	*4,151*
Fixed	*2,069*	*2,030*
Managed Services	*791*	*1,000*
Licensing	*77*	*112*
Other	210	195
Other and Unallocated	5	43
TOTAL	13,813	13,764

Core Networking segment

Revenues in our Core Networking segment, which consists of our IP Routing, IP Transport and IP Platforms divisions, were €6,151 million in 2013, a decrease of 1.3% from €6,233 million in 2012, using 2013 exchange rates. When we translate the non-euro portion of Core Networking sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. The decline in the value of other currencies, including the U.S. dollar, relative to the euro in 2013 as compared to 2012 had a negative impact on our reported revenues. If there had been constant exchange rates in 2013 as compared to 2012, our Core Networking segment revenues would have increased by 2.0 % instead of the 1.3% decrease actually reported.

Revenues in our IP Routing division were €2,253 million in 2013, an increase of 5.2% from €2,141 million in 2012. The year-over-year growth was driven by the continuation of the success we experienced in 2012 of our IP/MPLS service router portfolio, where growth in the market was driven by service providers spending to enhance their ability to deliver IP-based business and consumer services, including 100 Gigabit Ethernet, as well as spending for IP mobile backhaul deployments. Our IP Core router, the 7950 XRS, has continued to build momentum through 2013, with 14 contracts awarded during 2013, bringing our total to 20. In 2013, we extended our portfolio and announced the launch of Nuage Networks™, our wholly owned subsidiary focused on software defined networking (SDN) solutions, which has developed an open software-based solution to address key datacenter network constraints that limit the adoption of cloud services.

Revenues in our IP Transport division, which includes our terrestrial and submarine Optics businesses, were €2,120 million in 2013, a decrease of 10.5% from €2,369 million in 2012, since growth in our WDM portfolio, within the terrestrial business, was not enough to offset declines we continued to experience in both our SONET/SDH legacy terrestrial equipment as well as our submarine optics business. The submarine optics business experienced a low point in business activity in the first half of 2013, but showed signs of recovery in the second half of 2013.

As 2013 progressed, revenues stabilized within our IP Transport business as growth accelerated in our WDM products and our submarine optics business experienced a recovery in orders. Within our WDM portfolio, our 1830 Photonic Service Switch continues to grow as a percentage of total optical revenues, reaching 38% in 2013, compared to 31% in 2012. Our 100 Gigabit optical single carrier coherent technology continues to be one of the growth drivers in our WDM portfolio, as its relative share of port shipments continues to increase, from 12% in 2012 to 26% in 2013.

Revenues in our IP Platforms division, which includes software and related services, were €1,778 million in 2013, an increase of 3.2% from €1,723 million in 2012. The introduction of LTE services by operators and overall smartphone proliferation have been the basis for growth within this business, with specific strength in our Customer Experience Solutions and our Advanced Communications portfolio, which includes IMS and Subscriber Data Management. Our Network Function Virtualization platform continued to gain momentum in the industry in 2013, exiting the year with 8 proof-of-concept trials, including for some large service providers.

Access segment

Revenues in our Access segment, which consists of our Wireless Access, Fixed Access, Managed Services and Licensing divisions, were €7,447 million in 2013, an increase of 2.1 % from €7,293 million in 2012, using 2013 exchange rates. When we translate the non-euro portion of Access sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. The decline in the value of other currencies, including the U.S. dollar, relative to the euro in 2013 as compared to 2012 had a negative impact on our reported revenues. If there had been constant exchange rates in 2013 as compared to 2012, our Access segment revenues would have increased by 5.1% instead of the 2.1 % increase actually reported.

Revenues in our Wireless Access division increased 8.6% in 2013, to €4,510 million from €4,151 million in 2012. Within the

Wireless Access business, we witnessed strong year-over-year growth in our LTE revenues, driven by strong U.S. investments throughout 2013 and TD-LTE deployments in China later in the year. This growth was tempered by the continued overall declines in our 2G/3G technologies that we experienced in 2012, since service providers are focusing their investments in next-generation technologies. Throughout 2013, our LTE overlay strategy continued to gain momentum and we continued to focus on driving small cell adoption.

Revenues in our Fixed Access division were €2,069 million in 2013, an increase of 1.9% from €2,030 million in 2012, as we saw growth continue from 2012 in our copper and fiber businesses, notably in the US and Europe, while legacy products continued their decline as experienced in the past. Service providers continue to show interest in copper revitalization, through VDSL2 vectoring, which allows speed enhancements over existing copper networks.

Revenues in our Managed Services division were €791 million in 2013 compared to €1,000 million in 2012, a decrease of 20.9%. The decline in revenues resulted from the impacts of renegotiating or exiting of margin-dilutive contracts that we began in 2012.

Revenues in our Licensing division were €77 million in 2013 compared to €112 million in 2012, a decrease of 31.3%, as we continue to reset this business after its reorganization in 2012. Following the 2013 termination of our agreement with RPX Corporation, a company that monetizes patent portfolios, we have decided to directly address monetization opportunities.

Other segment

Revenues in our Other segment, which comprised our Government business, were €210 million in 2013, an increase of 7.7% from €195 million in 2012.

Revenues by geographical market

Revenues in 2013 and in 2012 by geographical market (calculated based upon the location of the customer) are as shown in the table below:

(In millions of euros)

Revenues by geographical market	France	Other Western Europe	Rest of Europe	China	Other Asia Pacific	U.S.	Other Americas	Rest of world	Consolidated
2013	798	2,125	361	1,097	1,230	5,986	1,209	1,007	13,813
2012	669	2,255	429	1,053	1,363	5,339	1,633	1,023	13,764
% Change 2013 vs. 2012	19%	-6%	-16%	4%	-10%	12%	-26%	-2%	0.4%

In 2013, the United States accounted for 43.3% of revenues, up from 38.8% in 2012. Revenues grew 12% in the U.S. as mobile data traffic growth continued to drive investments in technologies such as LTE and IP. Europe accounted for 23.8% of revenues in 2013 (5.8% in France, 15.4% in Other Western Europe and 2.6% in Rest of Europe), down from 24.4% in 2012 (4.9% in France, 16.4% in Other Western Europe and 3.1% in Rest of Europe) as easing of cautiousness in the second half of 2013 was not enough to offset declines registered in the first half. Within Europe, trends were mixed as revenues increased 19% in France, fell 6% in Other Western Europe and fell 16% in Rest of Europe. Asia-Pacific accounted for 16.8% of revenues in 2013 (7.9% in China and 8.9% in Other Asia Pacific), down from 17.6% in 2012 (7.7% in China and 9.9% in Other Asia Pacific), as declines in Other Asia Pacific were partially offset by growth in China in the second half of 2013, driven by TD-LTE roll-outs. Revenues in Other Americas were negatively impacted by a slowdown in Central and Latin America in 2013 driving revenues to decline 26% from 2012, as its share of total revenue declined from 11.9% to 8.8%. The Rest of World share of total revenue declined to 7.3% in 2013 from 7.4% in 2012, as revenues declined 2% year-over-year.

Gross Profit. In 2013, gross profit as a percentage of revenues increased to 31.2% of revenues compared to 29.1% in 2012, and increased in absolute terms, to €4,322 million in 2013 from €4,011 million in 2012. The increase in gross profit was mainly attributable to a favorable product mix, operational improvements and reduced fixed costs.

We sell a wide variety of products in many geographic markets. Profitability per product can vary based on a product's maturity, the required intensity of R&D and our overall competitive position. In addition, profitability can be impacted by geographic area, depending on the local competitive environment, our market share and the procurement policy of our customers. During 2013, we witnessed trends, where, as noted above, a shift in product mix positively impacted gross profit.

Administrative and selling expenses. In 2013, administrative and selling expenses were €1,862 million or 13.5% of revenues compared to €2,161 million or 15.7% of revenues in 2012. The 13.8% decline in administrative and selling expenses year-over-year reflects the progress we have made in reducing fixed costs as part of our Performance Program launched in 2012 and The Shift Plan launched in 2013. Included in administrative and selling expenses are non-cash purchase accounting entries resulting from the Lucent business combination of €32 million in 2013 and €118 million in 2012, with the decline due to the phasing out of amortization of some intangible assets and the impairment of other intangible assets related to CDMA, in the Access segment, that were included in the purchase price allocation entries relating to the Lucent business combination ("PPA") as part of the annual impairment test of goodwill performed in 2012.

Research and development costs. Research and development costs were €2,268 million or 16.4% of revenues in 2013, after the net impact of capitalization of €(34) million of development expense, a decrease of 2.7% from €2,330 million or 16.9% of revenues after the net impact of capitalization of €(12) million of development expense in 2012. The 2.7% decrease in research and development costs reflects a reduction in the overall level of R&D as well as a larger impact from the capitalization of R&D expense. Capitalization of R&D expense was negative in both 2013 and 2012, reflecting the fact that the amortization of our capitalized R&D costs was greater than new R&D costs capitalized during this period. Included in research and development costs are non-cash purchase accounting entries resulting from the Lucent business combination of €54 million in 2013 and €112 million in 2012 with the decline due mainly to the phasing out of amortization of in-process R&D as well as the impairment of some intangible assets related to CDMA, in the Access segment, that were included in PPA as part of the annual impairment test of goodwill performed in 2012.

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. We recorded income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments of €192 million in 2013 compared to a loss of €480 million in 2012. The improvement in 2013 reflects higher gross profits in addition to lower administrative and selling expenses and research and development costs. Non-cash purchase accounting entries resulting from the Lucent business combination had a negative impact of €86 million in 2013, which was lower than the impact of €230 million in 2012 mainly due to the phasing out of amortization of in-process R&D as well as the impairment of some intangible assets related to CDMA, in the Access segment, that were included in PPA as part of the annual impairment test of goodwill performed in 2012.

The tables below set forth our revenues and segment operating income (loss) for the years ended December 31, 2013 and December 31, 2012:

(In millions of euros)

Twelve months ended December 31, 2013	Core Networking	Access	Other	Total Reportable Segments	Other and unallocated amounts	Total
Revenues	6,151	7,447	210	13,808	5	13,813
Segment Operating Income (Loss)	479	(85)	5	399	(121)	278
PPA Adjustments (excluding restructuring costs and impairment of assets)						**(86)**
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						192

(In millions of euros)

Twelve months ended December 31, 2012	Core Networking	Access	Other	Total Reportable Segments	Other and unallocated amounts	Total
Revenues	6,233	7,293	195	13,721	43	13,764
Segment Operating Income (Loss)	153	(323)	20	(150)	(100)	(250)
PPA Adjustments (excluding restructuring costs and impairment of assets)						**(230)**
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						(480)

In 2013, a segment operating income of € 278 million for the Group, adjusted for €86 million in PPA yielded income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments of €192 million. In 2012, a segment operating loss of €250 million for the Group, adjusted for €230 million in PPA yielded a loss from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments of €480 million.

Operating income in our Core Networking segment was €479 million or 7.8% of revenues in 2013, compared with an operating income of €153 million or 2.5% of revenues in 2012. The improvement reflects higher operating income contributions from each of the divisions, particularly from IP Transport, where the continuing shift to WDM has driven improvements in margins, as well as our continuing actions to reduce fixed costs across the segment.

Operating loss in our Access segment was €85 million in 2013, compared with an operating loss of €323 million in 2012. Our

Fixed Access division and Managed Services activities have improved their contributions to operating income compared to the year-ago period, and we are working to improve our cost structure to achieve profitability in our Wireless Access division as part of The Shift Plan.

Operating income in the Other segment was €5 million or 2.4% of revenues in 2013, compared with an income of €20 million or 10.3% of revenues in 2012.

Restructuring Costs. Restructuring costs were €518 million in 2013 compared to €479 million in 2012. The cost of new restructuring plans increased in 2013 compared to 2012 due to the implementation of our Performance Program, which was launched on July 26, 2012, and The Shift Plan which was launched on June 19, 2013, and which caused severance payments, early retirement payments, costs for notice periods not worked, training costs of terminated employees, costs linked with the closure of facilities or the discontinuance of product lines and costs arising from plans that materially change the scope of business undertaken by the Group.

Litigations. In 2013, we booked a litigation charge of €2 million related to the Fox River litigation and the hedging of costs associated with the FCPA litigation payment compared to 2012, when we booked a litigation credit of €2 million related to the Fox River and FCPA litigations.

Gain/(loss) on disposal of consolidated entities. In 2013, we booked a gain on the disposal of consolidated entities of €2 million, compared to 2012, when we booked a gain on the disposal of consolidated entities of €11 million, mainly related to the liquidation of an Alcatel-Lucent holding company.

Impairment of assets. In 2013, we booked an impairment of assets charge of €548 million, mainly related to our Wireless product division goodwill. As a result of the implementation of The Shift Plan, additional costs negatively impacted the recoverable value of our goodwill in this business. In 2012, we booked an impairment of assets charge of €894 million mainly related to (i) adjusting our assumptions about the pace of the Wavelength-Division Multiplexing (WDM) ramp-up, which was slower than anticipated, and the migration of new technologies in the then-existing Optics division and (ii) the faster-than-anticipated replacement of GSM and CDMA technologies by LTE technologies. Of the €894 million of charges in 2012: (i) €522 million were related to goodwill, of which €431 million pertained to our then-existing Optics business, (ii) €122 million related to capitalized development costs for our Wireless business, (iii) €191 million related to other intangible assets of our Wireless business and (iv) €59 million related to property, plant and equipment of the Wireless business.

Post-retirement benefit plan amendments. In 2013, we booked a €135 million credit that included (i) a €55 million gain related to the change in retiree healthcare benefits for formerly represented retirees resulting from the extension of benefits until December 31, 2016 and a reduction in our obligation to pay for retirees who are subject to annual dollar caps, (ii) a €41 million gain related to the amendment of AUXAD, a French supplemental pension plan, to align it with the conditions of the French AGIRC (General Association of Pension Institutions for Managerial Staff) scheme, (iii) a €35 million gain related to an amendment of German pension plans where the traditional pension plans of most active German employees have been transferred into a new cash balance plan whose benefits are lower than in previous plans and (iv) a gain of €4 million related to the amendment of our U.S. long term disability plan, where long-term medical benefits for disabled U.S. former employees will be provided by the retiree medical plan. In 2012, we booked a total of €204 million of credits related to post-retirement benefit plan amendments, including (i) a €60 million credit related to the change in retire healthcare benefits for formerly represented retirees resulting from the extension of benefits until December 31, 2014 and the reduction of our obligation for formerly represented retirees who are subject to annual dollar caps; (ii) a €135 million credit related to the offer to deferred vested participants in the U.S. management pension and U.S. occupational inactive pension plans to receive a lump sum payment upon retirement; and (iii) a €9 million gain related to several amendments that we made to the Swiss pension plan.

Income (loss) from operating activities. Income (loss) from operating activities was a loss of €739 million in 2013, compared to a loss of €1,636 million in 2012. The smaller loss from operating activities in 2013 is due to higher gross profits, lower administrative and selling expenses and research and development costs and a smaller impairment charge, partially offset by higher restructuring costs and lower contributions from post-retirement benefit plan amendments.

Finance costs. Finance costs were €392 million in 2013, an increase from €279 million in 2012. The increase in finance costs was due to an increase in interest paid, from €357 million in 2012 to €462 million in 2013, and a decrease in interest earned from €78 million in 2012 to €70 million in 2013. The 2013 increase in interest paid is due to higher levels of overall debt, while the decrease in interest earned is due to lower interest rates (see Chapter 6.4 Liquidity and Capital Resources).

Other financial income (loss). Other financial losses were €318 million in 2013, compared to €394 million in 2012. In 2013, other financial loss consisted primarily of (i) €134 million related to a net loss on convertible bonds and notes repurchased in 2013, (ii) a loss of €84 million related to the financial component of pension and post-retirement benefit costs, (iii) a loss of €39 million related to the change of estimated future cash flows in respect of the irrevocable commitment we made to repay in January 2014 the 7.75% convertible trust preferred securities issued by Lucent Technologies Capital Trust I, (iv) a loss of €24 million related to the amortization of outstanding costs arising from the repayment of the Alcatel-Lucent USA, Inc. U.S.$500 million asset sale facility established in 2013, (v) a net loss of €24 million on foreign exchange and (vi) a loss of €21 million related to the amortization of outstanding costs related to the repayment of the Alcatel-Lucent USA, Inc euro tranche Senior Secured Credit Facility established in 2013. In 2012, other financial losses consisted primarily of (i) a loss of €178 million related to the change of estimated future cash flows in respect of Alcatel-Lucent USA Inc.'s 2.875% Series B convertible debentures, since management anticipated that all debenture holders would exercise their right to receive payment on the June 15, 2013 optional redemption date, (ii) a loss of

€127 million related to the financial component of pension and post-retirement benefit costs, (iii) a €27 million loss related to the repurchase of U.S. $115.5 million in nominal value of Alcatel-Lucent USA, Inc.'s 2.875% Series B convertible debentures, (iv) a loss of €28 million related to impairment losses on financial assets and (v) a net loss (taking into account hedging) of €2 million on foreign exchange transactions.

Share in net income (losses) of equity affiliates. Share in net income of equity affiliates was €7 million in 2013, compared with €5 million in 2012.

Income (loss) before income tax and discontinued operations. Income (loss) before income tax and discontinued operations was a loss of €1,442 million in 2013 compared to a loss of €2,304 million in 2012.

Income tax (expense) benefit. We had an income tax benefit of €173 million in 2013, compared to an income tax expense of €423 million in 2012. The income tax benefit for 2013 resulted from a current income tax charge of €56 million in addition to a net deferred income tax benefit of €229 million. The €229 million net deferred income tax benefit includes: (i) €85 million in deferred tax benefits related to Alcatel-Lucent USA, Inc.'s post-retirement benefit plans, (ii) €64 million related to the reversal of deferred tax liabilities mainly related to the repayment of the Alcatel-Lucent USA, Inc. 2.875% Series A and B convertible debentures, the irrevocable commitment to repay the Lucent Technologies Capital Trust I's 7.75% convertible trust preferred securities and the repayment of the 2015 OCEANE (iii) €58 million of other deferred income tax benefits, net, primarily related to the re-assessment of the recoverability of certain deferred tax assets in the U.S. and (iv) €45 million of deferred income tax benefits related to the reversal of deferred tax liabilities accounted for in the purchase price allocation of Lucent. These benefits were slightly offset by a deferred tax charge of €(23) million related to the post-retirement benefit plan amendments we implemented in 2013. The income tax expense for 2012 resulted from a current income tax charge of €70 million in addition to a net deferred income tax expense of €353 million. The €353 million net deferred tax benefit includes: (i) €560 million of other deferred income tax expenses, net, primarily related to the re-assessment of the recoverability of certain deferred tax assets in the U.S. mainly in connection with the 2012 annual impairment test of goodwill and (ii) €51 million of deferred tax expenses related to the post-retirement benefit plan amendments we implemented in 2012. These expenses were slightly offset by (i) €177 million of deferred income tax benefits related to the reversal of deferred tax liabilities accounted for in the purchase price allocation of Lucent and (ii) €80 million related to the reversal of deferred tax liabilities mainly related to the repayment of Alcatel-Lucent USA, Inc.'s 2.875% Series A convertible debentures.

Income (loss) from continuing operations. We had a loss from continuing operations of €1,269 million in 2013 compared to a loss of €2,727 million in 2012.

Income (loss) from discontinued operations. We had a loss from discontinued operations of €25 million in 2013 mainly related mainly related to 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. Income from discontinued operations was €639 million in 2012 mainly related to settlements of litigations related to businesses disposed of in prior periods and the capital gain on the disposal of our Genesys business in 2012, net of costs and tax.

Non-controlling Interests. Non-controlling interests accounted for an income of €10 million in 2013, compared to a loss of €77 million in 2012. The increase from 2012 is due largely to improvements from our operations in China through Alcatel-Lucent Shanghai Bell, Co. Ltd. and its subsidiaries.

Net income (loss) attributable to equity holders of the parent. A net loss of €1,304 million was attributable to equity holders of the parent in 2013, compared to a net loss of €2,011 million in 2012.

6.4 Liquidity and capital resources

Liquidity

Cash flow for the years ended December 31, 2014 and 2013

Introductory note. The figures for 2013 are re-presented to reflect the impact of the disposal of our Enterprise business as disclosed in Section 6.2 "Consolidated and segment results of operations for the year ended December 31, 2014 compared to the year ended December 31, 2013".

Overview. Cash and cash equivalents decreased €218 million in 2014 from €4,096 million as of December 31, 2013 to €3,878 million as of December 31, 2014, mainly as a result of a positive €127 million net cash generation from our operating activities, a €235 million cash generation from our investing activities and a negative overall net €1,383 million from our financing activities in connection primarily with the early repayment of our Senior Secured Credit Facilities for a total nominal value of US$1,724 million and of the Lucent Technologies Capital Trust I 7.75% convertible trust preferred securities for an amount of US$931 million, partially offset by the issuance of €1,148 million of convertible notes (OCEANE).

Net cash provided (used) by operating activities. Net cash provided by operating activities was €127 million in 2014 compared to net cash used of €221 million in 2013. Net cash provided by operating activities before changes in working capital, interest and taxes increased from €185 million in 2013 to €609 million for 2014. This increase was primarily due to the progress in profitability driven by an increased gross margin at 33.4% in 2014 compared to 31.3% in 2013, and cost savings, mainly in general and administrative expenses (G&A).

Changes in working capital had a negative impact of €164 million in 2014 on our net cash from our operating activities before interest and taxes compared to a negative impact of €33 million in 2013 due to several factors. Changes in inventories and work in progress had a less unfavorable effect on the operating cash flow of €72 million in 2014 compared to €216 million in 2013, in which year the increase of work in progress was due to our Wireless activities in connection with some major contracts, particularly in the U.S. Also, the change in trade receivables amounted to €18 million in 2014 compared to €138 million in 2013, notably driven by the increased sale of receivables without recourse, due to a major contract in the U.S. In addition, in 2014, the customer's deposits and advances were €88 million in 2014, notably due to advances received in connection with Submarine contracts while in 2013, customers' deposits and advances contributed negatively for €19 million. Changes in accounts payable were negative at €167 million, due to a lower level of costs incurred in 2014, compared to a positive effect of €25 million in 2013.

Net interest and taxes paid amounted to €318 million in 2014 compared to €373 million in 2013. Interest paid decreased to €290 million in 2014 from €362 million in 2013 primarily due to the decrease of our gross financial debt and the refinancing of our Senior Secured Credit Facilities by convertible notes (OCEANE) bearing 0.00% and 0.125% interest rates.

Net cash provided (used) by investing activities. Net cash provided by investing activities was €235 million in 2014 compared to net cash used of €1,128 million in 2013. This change was mainly due to the sale of marketable securities, which provided net cash of €617 million, compared to net cash used of € 723 million in 2013, and to cash proceeds from losing control of consolidated companies, which amounted to €84 million in 2014, compared to no cash provided in 2013, somewhat offset by the increase in capital expenditures from €463 million in 2013 to €556 million in 2014.

Net cash provided (used) by financing activities. Net cash used by financing activities amounted to €1,383 million in 2014 compared to positive net cash of €2,350 million in 2013.

As detailed in "Capital Resources", below, in 2014 we issued convertible notes (OCEANE) in two tranches for an aggregate amount of €1,148 million. With the proceeds of these issuances, we repaid our remaining outstanding Senior Secured Credit Facility for a total nominal value of U.S.$1,724 million. We also repaid in 2014 (i) at the maturity date the remaining €274 million outstanding 6.375% Senior Notes, (ii) in full the outstanding principal amount of U.S.$931 million on the 7.75% Convertible Trust Preferred Securities due 2017 and (iii) an aggregate €232 million nominal amount of Senior Notes 2016.

In 2013, we issued senior and convertible notes for an aggregate amount of €2,248 million, and entered into the three Senior Secured Credit Facilities. With the proceeds of these issuances and facilities, among other things, we repaid outstanding notes and other debt securities for an aggregate amount of €1,909 million. In the course of the year, we also repaid two of the Senior Secured Credit Facilities (of U.S. $500 million and €300 million nominal value). In 2013, we also issued 455 million shares, resulting in a capital increase of €957 million.

The net positive effect of exchange rate changes was €633 million in 2014 compared to a negative effect of €292 million in 2013.

Disposed of or discontinued operations. Cash provided by discontinued operations was €170 million in 2014 related to the disposal of our Enterprise business, compared to €14 million of cash used in 2013.

Capital resources

Resources. Over time, we may derive our capital resources from a variety of sources, including the generation of positive cash flow from on-going operations, proceeds from asset sales, the issuance of debt and equity in various forms and credit facilities, including our €504 million revolving credit facility which was undrawn as of December 31, 2014. Our ability to continue to draw upon these resources is dependent upon a variety of factors, including our customers' ability to make payments on outstanding accounts receivable, who may ask for extended payment terms during the year; the perception of our credit quality by lenders and investors; the debt and equity market conditions generally, and our compliance with the terms of our debt indentures.

Given current conditions, access to the debt and equity markets may not be relied upon at any given time. Also, our on-going operations did not generate positive cash flow in either 2014 or 2013. Counterbalancing this, our cash, cash equivalents and marketable securities, including short-term investments, amounted to €5,550 million as of December 31, 2014. Although approximately €1,207 million of this cash, cash equivalents and marketable securities are subject to exchange control restrictions in certain countries (primarily China) that may limit the use of such funds by our subsidiaries outside of the local jurisdiction, we do not expect that such restrictions will have an impact on our ability to meet our cash obligations.

6.375% Senior Notes due April 2014.

On April 7, 2014, we repaid on the maturity date the remaining €274 million outstanding under our 6.375% Senior Notes.

8.50% Senior Notes due January 15, 2016.

On June 24, 2014, we launched a tender offer to repurchase our 8.50% Senior Notes due 2016. On July 4, 2014, we accepted for purchase an aggregate nominal amount of Senior Notes 2016 of €210 million for a total cash amount of €235 million. The notes tendered in the offer were cancelled. In addition, during the second quarter of 2014, a nominal amount of €19 million of the Senior Notes 2016 was bought back and cancelled for a cash amount of €22 million. Similarly, during the fourth quarter of 2014, a €3 million nominal amount of the Senior Notes 2016 was bought back and cancelled for a cash amount of €3 million.

As a result, the outstanding aggregate nominal amount of Senior Notes 2016 is €192 million as of December 31, 2014.

OCEANE 2019 and 2020.

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

- Tranche 1 due January 30, 2019 for a nominal value of €688 million. The conversion price per bond was set at €4.11, giving a conversion premium of approximately 40% over Alcatel Lucent's reference share price on the regulated market Euronext in Paris.
- Tranche 2 due January 30, 2020 for a nominal value of €460 million. The conversion price per bond was set at €4.02, giving a conversion premium of approximately 37% over Alcatel Lucent's reference share price on the regulated market Euronext in Paris

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

The proceeds of the issuance were used, together with available cash, to reimburse the 2013 Senior Secured Credit Facility (see below). The purpose of the issuance was also to contribute to the extension of debt maturity and to reduce the cost of our indebtedness.

2013 Syndicated Bank Credit Facility.

On December 17, 2013, we obtained a €504 million three-year revolving credit facility with a syndicate of 12 international banks. The availability of funds under the credit facility is not dependent upon Alcatel Lucent's credit ratings. Alcatel Lucent's ability to draw on the credit facility is conditioned upon compliance with a financial covenant linked to the Group's capacity to cover its interest charges. Alcatel-Lucent USA Inc. and some subsidiaries of the Group have provided senior unsecured guarantees in respect of this revolving credit facility. As of the date hereof, this facility remains undrawn.

2013 Senior Secured Credit Facilities.

On January 30, 2013, Alcatel-Lucent USA Inc., as borrower, and Alcatel Lucent and some 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 Alternative 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 and 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 with a quarterly amortization of 0.25% of nominal value.

We repaid the asset sale facility in full and terminated it on August 7, 2013.

On August 16, 2013, Alcatel-Lucent USA Inc. entered into an amendment to the Credit Agreement, which had the effect of changing certain covenants governing the facilities outstanding at the time, in particular those restricting asset sales or dealing with mandatory repayment in case of asset sales, and lowered the credit spread on the U.S.$1,750 million Senior Secured Credit Facility from 6.25% to 4.75% and the credit spread on the €300 million Senior Secured Credit Facility from 6.50% to 5.25%.

We repaid the credit facility with a total nominal value of €300 million due January 2019 in full on December 6, 2013.

On December 20, 2013, Alcatel-Lucent USA Inc. entered into an amendment to the Credit Agreement, which had the effect as of February 18, 2014, of lowering the credit spread from 4.75% to 3.50%. In addition, under the terms of this amendment, if, prior to August 18, 2014, all or part of the Senior Secured Credit Facility was voluntarily repaid with (a) cash from a loan financing, the primary purpose of which was to decrease the yield of such Facility, or (b) cash from the issuance of notes or convertible debt, then such repayment had to be made at 101.0% of the principal amount repaid. The Senior Secured Credit Facility was otherwise repayable at par at any time.

On August 19, 2014, we repaid the remaining U.S. $1,724 million outstanding under the U.S. $1,750 million Senior Secured Credit Facility due January 2019, using the proceeds of the issuance of the OCEANE 2019 and 2020, together with available cash (see "OCEANE 2019 – 2020" above).

The Senior Secured Credit 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. As of August 19, 2014, the 2013 Senior Secured Credit Facilities were all fully repaid, allowing the release of all the pledges securing these facilities.

4.625% Senior Notes due July 1, 2017.

In December 2013, Alcatel-Lucent USA Inc. issued Senior Notes due July 1, 2017 with a 4.625% coupon for a total nominal value of U.S.$650 million. In January 2014, we used the net proceeds of this issuance, together with available cash, to repay in full the U.S.$931 million aggregate principal amount outstanding of the 7.75% Convertible Trust Preferred Securities due 2017 issued by Lucent Technologies Capital Trust I. Alcatel Lucent and some subsidiaries of the Group have provided senior unsecured guarantees of these Senior Notes. At the option of Alcatel-Lucent USA Inc., the notes may be subject to early redemption under certain conditions. Covenants similar to those included in the indenture for the 8.50% Senior Notes due January 15, 2016 issued by Alcatel Lucent apply to these notes. Such covenants include restricting, among other things, the Group's ability to: (i) incur or guarantee additional debt or issue preferred stock; (ii) pay dividends, buy back equity and make investments in minority interests, (iii) create or incur certain liens and (iv) engage in mergers, consolidations or asset sales. These covenants, which are customary in the issuance of high yield bonds, are subject to a number of qualifications and exceptions. Those qualifications and exceptions generally afford the Group the ability to conduct its operations, strategy and finances without significant effect.

The notes also provide that, if certain instances of change of control occur, we are required to offer to repurchase all of the notes at a redemption price equal to 101% of their principal amount, plus any accrued and unpaid interest. Additionally, the notes may be redeemed upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

6.75% Senior Notes due November 15, 2020.

In November 2013, Alcatel-Lucent USA Inc. issued Senior Notes due November 15, 2020 with a 6.75% coupon for a total nominal value of U.S.$1,000 million. The net proceeds of this issuance were used (i) to redeem the U.S.$96 million aggregate principal amount of Alcatel-Lucent USA Inc.'s 2.875% Series A Convertible Bonds due 2023 and the 2.875% Series B Convertible Bonds due 2025, and the €11 million principal amount of Alcatel Lucent's 5.00% OCEANE (convertible/exchangeable bonds) due 2015; (ii) to prefund the repayment at its maturity date of €274 million principal amount of Alcatel Lucent's 6.375% Senior Notes due in April 2014, (iii) to repay the €300 million Senior Secured Credit Facility due 2019 (see *"2013 Senior Secured Credit Facilities"*), and (iv) for general corporate purposes. Alcatel Lucent and some subsidiaries of the Group have provided senior unsecured guarantees of these Senior Notes. At the option of Alcatel-Lucent USA Inc., the notes may be subject to early redemption under certain conditions. Covenants similar to those included in the indenture for the 8.50% Senior Notes due January 15, 2016 issued by Alcatel Lucent apply to these notes (see "*4.625% Senior Notes due July 1, 2017*").

The notes also provide that, if certain instances of change of control occur, we are required to offer to repurchase all of the notes at a redemption price equal to 101% of their principal amount, plus any accrued and unpaid interest. Additionally, the notes may be redeemed upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any.

Credit ratings

As at March 19, 2015, Alcatel Lucent credit ratings 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	B3	B3/Caa1 (1)	Not Prime	Positive	Dec 4, 2012/ Dec 19, 2013	Nov 17, 2014
Standard & Poor's	B	B	B	Stable	Aug 18, 2014	Aug 18, 2014

(1) The OCEANE 2018, as well as the OCEANE 2019 and 2020 are rated Caa1; all other long-term debt issued by Alcatel Lucent is rated B3.

At March 19, 2015, the credit ratings of 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	n.a.	B3 (1)	n.a.	Positive	Dec 12, 2013	Nov 17, 2014
Standard & Poor's	B	B	n.a.	Stable	Aug 18, 2014	Aug 18, 2014

(1) The 8.875% Senior Notes, the 6.75% Senior Notes and the 4.625% Senior Notes are each rated B3. 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 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 three 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 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+/B- to B. At the same date, and as a consequence of the rating upgrade, the Outlook was changed from Positive to Stable.

On June 2, 2014, Standard & Poor's assigned the rating B- to the OCEANE 2019 and 2020 that were to be issued.

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."

Short-term cash requirements.

Our short-term cash requirements are primarily related to funding our operations, including our restructuring plans, capital expenditures and short-term debt repayments.

Restructuring plans.

Through the launch of The Shift Plan, we aim at reducing our fixed-cost base by €950 million in 2015 compared to our 2012 cost base through the adoption of direct-channel operations, additional consolidation of SG&A (selling, general and administrative) functions, and by refocusing our R&D capacity. For the year ended December 31, 2014, we had expensed €238 million of restructuring costs for these actions.

We expect that the cumulative amount of cash outlays pursuant to The Shift Plan should be approximately €1.7 billion, of which approximately €1.5 billion between 2013 and 2015, with the remainder in 2016.

Short-term debt.

As of December 31, 2014, we had €402 million of short-term financial debt outstanding.

Cash flow outlook.

We believe that our cash, cash equivalents and marketable securities, including short-term investments, aggregating €5,550 million as of December 31, 2014, are sufficient to fund our cash requirements for the next 12 months and to pursue our capital expenditures program as planned.

To the extent that the business environment materially deteriorates or our customers reduce their spending plans, or if the credit markets were to limit our access to bid and performance bonds, with a resulting deterioration of our liquidity, we will need to re-evaluate our capital expenditure priorities appropriately. We may also be required to engage in additional restructuring efforts and seek additional sources of capital, which may be difficult under such circumstance.

Long-term debt and total financial debt.

As of December 31, 2014, we had €4,875 million of long-term financial debt outstanding and therefore a total gross financial debt at that date of €5,277 million, compared to €6,162 million as of December 31, 2013.

Rating clauses affecting our debt

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

6.5 Contractual obligations and off-balance sheet contingent commitments

Contractual obligations

We have certain contractual obligations that extend beyond 2014. Among these obligations, we have long-term debt and interest thereon, finance leases, operating leases, commitments to purchase fixed assets and other unconditional purchase obligations. Our total contractual cash obligations as of December 31, 2014 for these items are presented below based upon the minimum payments we will have to make in the future under such contracts and firm commitments. Amounts related to financial debt, finance lease obligations and the equity component of our convertible bonds are fully reflected in our consolidated statement of financial position included in this annual report.

(In millions of euros)	Payment deadline				
Contractual payment obligations	**Before December 31, 2015**	**2016-2017**	**2018-2019**	**2020 and after**	**Total**
Financial debt (excluding finance leases)	397	875	1,143	2,847	5,262
Finance lease obligations	9	9	-	-	18
Equity component of convertible bonds	-	-	192	88	280
Sub-total - included in statement of financial position	**406**	**884**	**1,335**	**2,935**	**5,560**
Finance costs on financial debt	231	409	339	125	1,104
Operating leases	165	237	158	180	740
Commitments to purchase fixed assets	35	-	-	-	35
Unconditional purchase obligations (1)	925	731	534	127	2,317
Sub-total - commitments not included in statement of financial position	**1,356**	**1,377**	**1,031**	**432**	**4,196**
TOTAL CONTRACTUAL OBLIGATIONS (2)	1,762	2,261	2,366	3,367	9,756

(1) Of which €594 million relate to commitments made to HP pursuant to the sales cooperation agreement and the IT outsourcing transaction entered into with HP and €635 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.

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

Off-balance sheet commitments

On December 31, 2014, our off-balance sheet commitments and contingencies amounted to €2,376 million, consisting primarily of €1,637 million in guarantees on long-term contracts for the supply of telecommunications equipment and services by our consolidated and non-consolidated subsidiaries. Generally, we provide these guarantees to back performance bonds issued to customers through financial institutions. These performance bonds and counter-guarantees are standard industry practice and are routinely provided in long-term supply contracts. If certain events occur subsequent to our including these commitments within our off-balance sheet contingencies, such as delays in promised delivery or claims related to an alleged failure by us to perform on our long-term contracts, or the failure by one of our customers to meet its payment obligations, we reserve the estimated risk on our consolidated statement of financial position under the line items "Provisions" or "Amounts due to/from our customers on construction contracts," or in inventory reserves. Not included in the €2,376 million is approximately €185 million in customer financing commitment provided by us.

With respect to guarantees given for contract performance, only those issued by us to back guarantees granted by financial institutions are presented in the table below.

Off-balance sheet contingent commitments given in the normal course of business are as follows:

(In millions of euros)	2014	2013	2012
Guarantees given on contracts made by the Group	1,637	1,180	1,217
Discounted notes receivable with recourse (1)	-	-	1
Other contingent commitments (2)	737	671	716
Sub-total - contingent commitments	**2,374**	**1,851**	**1,934**
Secured borrowings (3)	2	8	4
TOTAL (4)	**2,376**	**1,859**	**1,938**

(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 to our consolidated financial statements.

(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 to our consolidated financial statements for a summary of our expected contributions to these plans.

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 our 2014 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.

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. For more information concerning contingencies, see Note 31 to our consolidated financial statements.

Guarantees given on third-party long-term contracts could require us 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, 2014 (nil as of December 31, 2013 and as of December 31, 2012).

Outsourcing transactions

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 function, including the outsourcing of our accounting function. This agreement supplements two similar service agreements regarding human resources and information technology. Each of the three corporate functions covered by our agreements with Accenture is called a "tower". 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 we operate.

As part of an initial two-year transition and transformation phase, we are committed to restructuring each of the three towers, which is estimated to cost €49 million. €38 million of these restructuring costs were incurred during 2014.

Overall, we are committed to purchase approximately €757 million of Accenture goods and services until 2020. As of December 31, 2014, the remaining total purchase commitment was €635 million.

This commitment is included in the contractual payment obligations table above in the line "Unconditional purchase obligations" for the remaining balance as of December 31, 2014.

Outsourcing transaction with HCL Technologies

On July 1, 2014, in conjunction with the targeted cost savings of The Shift Plan, we 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, and covers: R&D development and maintenance, and human resources. As part of an initial three year transition and transformation phase, we are committed to restructuring those activities, which is estimated to cost €40 million. Overall, we are committed to purchase approximately €297 million of HCL services until 2021. As of December 31, 2014, the remaining total purchase commitment was €273 million.

This commitment is included in the contractual payment obligations table above in the line "Unconditional purchase obligations" for the remaining balance as of December 31, 2014.

Outsourcing transaction with Hewlett Packard

On October 29, 2009, we 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 we 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 our IT infrastructure. As part of an initial 18-month transition and transformation phase (referred to as the "T&T phase"), HP invested its own resources to transform our global IT/IS platforms. As a result, we are committed to restructuring our IT/IS operations, which is estimated to cost €200 million over ten years. These restructuring costs, which include severance costs and the costs of transferring certain legal entities and resources to HP, are recognized as incurred, starting in 2010. €8 million of these restructuring costs were incurred during 2014 (€94 million in 2013 and €31 million in 2011). In addition, in the fourth quarter of 2011 we signed an amendment with HP relating to a supplemental €42 million of T&T costs to be incurred by us. €10 million of these supplemental costs were incurred during 2014 (€10 million in 2013 and €6 million in 2012).

As part of the transfer of resources, in 2010 we 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 €3 million finance lease obligation as of December 31, 2014 (€10 million as of December 31, 2013 and €10 million as of December 31, 2012).

Also as part of the overall arrangement with HP, we committed to purchase approximately €514 million of HP goods and services (this amount increased by €62 million as of 2011 because the duration of the commitment increased by one year, until 2014). Of the total amount of approximately €514 million in purchase commitment, €311 million represent our commitment to effect annual purchases over the five-year period from January 1, 2010 through December 31, 2014 in an annual amount equal to €62 million, which is the annual amount we spent for HP goods and services from November 1, 2008 through October 31, 2009, and €202 million represent our commitment to effect incremental purchases over the same five-year period of HP goods and services to be used in the context of customer networks. As of December 31, 2014, our remaining total purchase commitment was €0 million (€104 million as of December 31, 2013 and €226 million as of December 31, 2012). The finance lease obligations and the unconditional purchase commitments related to the HP outsourcing transaction are included in the contractual payment obligations table presented above, in the lines "Finance lease obligations" and "Unconditional purchase obligations".

The two 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 us from HP and/or any HP affiliates over ten years, for a total amount of €1,408 million (which amount includes €120 million of the €200 million restructuring costs mentioned above) and with a remaining commitment of €519 million as of December 31, 2014 (€644 million as of December 31, 2013 and € 778 million as of December 31, 2012); 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 €298 million over ten years (with a remaining commitment of €75 million as of December 31, 2014 (€90 million as of December 31, 2013 and €105 million as of December 31, 2012)).

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, 2014.

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

We outsource 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 sub-assemblies that are used to manufacture products based on our demand forecasts from suppliers in our approved supplier lists.

Generally, we do not own the components and sub-assemblies purchased by the EMS and title to the products is generally transferred from the EMS providers to us upon delivery. We record the inventory purchases upon transfer of title from the EMS to us. We establish 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 our 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 our products. In 2014, we recorded a charge of €32 million for excess inventory commitments with our EMS providers compared to a charge of €26 million in 2013 (and a charge of €25 million in 2012).

We generally do not have minimum purchase obligations in our 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.

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 former co-venturer in Alda Marine, an entity we controlled jointly with LDA until March 18, 2015, 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, 2014.

Specific commitments - Alcatel-Lucent USA Inc.

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, 2014 (U.S.$23 million of lease obligations as of December 31, 2013 and U.S.$ 47 million of lease obligations as of December 31, 2012), 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.

Alcatel-Lucent USA Inc.'s guarantees of Alcatel-Lucent notes and revolving credit facilities

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

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 €192 million on December 31, 2014). 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.

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, 2014). 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 guarantees of Alcatel-Lucent USA Inc.'s 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 €412 million on December 31, 2014), (ii) in November 2013 6.750% Senior Notes due November 15, 2020 (the principal amount of which was €824 million on December 31, 2014) and (iii) in December 2013, 4.625% Senior Notes due July 1, 2017 (the principal amount of which was €535 million on December 31, 2014). 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.

Customer financing

Based on standard industry practice, from time to time we extend financing to our customers by granting extended payment terms, making direct loans, and providing guarantees to third-party financing sources. More generally, as part of our business, we routinely enter into long-term contracts involving significant amounts to be paid by our customers over time.

As of December 31, 2014, net of reserves, we had an exposure of approximately €79 million under drawn customer-financing arrangements, representing approximately €72 million of deferred payments and loans, and €7 million of guarantees. In addition, as of December 31, 2014, we had further commitments to provide customer financing for approximately €94 million. It is possible that these further commitments will expire without our having to actually provide the committed financing.

Outstanding customer financing and undrawn commitments are monitored by assessing, among other things, each customer's short-term and long-term liquidity positions, the customer's current operating performance versus plan, the execution challenges faced by the customer, changes in the competitive landscape, and the customer's management experience and depth. When we detect potential problems, we take mitigating actions, which may include the cancellation of undrawn commitments. Although by taking such actions we may be able to limit the total amount of our exposure, we still may suffer losses to the extent of the drawn and guaranteed amounts.

Capital expenditures

Each year we incur a certain level of capital expenditures in maintenance and innovation. In 2014, our capital expenditures amounted to €556 million, including €162 million of capitalization of development costs. We believe that our current cash, cash equivalents and marketable securities and funding arrangements provide us with adequate flexibility to pursue our capital expenditure program as planned. To the extent that the business environment materially deteriorates or our customers reduce their spending plans, we will need to reevaluate our capital expenditure priorities appropriately.

As of December 31, 2014, our contractual obligations for capital expenditures amounted to €35 million.

6.6 Strategy and Outlook

On June 19, 2013 we announced The Shift Plan, which is a detailed three-year industrial program to reposition our company as a specialist provider of IP and Cloud Networking and Ultra-Broadband Access, which are the high-value equipment and services that are essential to high-performance networks.

Successful implementation of The Shift Plan will give our customers renewed confidence in our long-term stability, enhance our employees' commitment to the Group and provide us with the ability to negotiate improved terms when we access the capital markets. The first phase of The Shift Plan was structured around three priorities: refocusing, restructuring and refinancing; which allowed us to reposition our company from a telecommunications generalist to a specialist, with better-aligned management, a sound financial foundation, a stronger focus on innovation and significant growth prospects. The second chapter of The Shift Plan is articulated around three complementary pillars: innovate, transform and grow; which we believe will allow us to capitalize on new market opportunities ahead. Our transformation has commercial traction across our portfolio in key technologies such as core routing, 100G optics, SDN, NFV, 4G LTE, small cells and next-gen fixed access. This traction has been enriched by:

- Innovations across a number of important areas of our business, including Core Routing and SDN within IP Routing, 400G in IP Transport, virtualization in IP Platforms, carrier aggregation and Multimedia Broadcast Multicast Service (eMBMS) in Wireless and G.fast and NG-PON2 in Fixed Access; and
- Technological partnerships, including with Qualcomm on small cells, with Intel on virtualization of network functions and with Accenture around ultra broadband opportunities.

The main elements of The Shift Plan and an update as of December 31, 2014 include:

- Investing in our Core Networking businesses (which include IP Routing, IP Transport, IP Platforms and associated services). We are expecting that these businesses will be our growth engines in the future. We aim to generate revenues at or above €7 billion from our Core Networking segment in 2015, and to improve Core Networking segment's contribution to our segment operating margin to at or above 12.5% in 2015. We define segment operating margin as 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 (excluding the negative non-cash impacts of Lucent's purchase price allocation) divided by revenues. In 2014, Core Networking segment operating margin was 10.6%, an increase of 280 basis points compared to 2013. We are also seeking to increase our research and development investment in our Core Networking business by 8% by the end of 2015, as compared to 2012 and targeting a reduction in our selling, general and administrative expenses (SG&A) in order to achieve a level of SG&A to revenue of approximately 13%. In 2014, the level of SG&A to revenues was 13% compared to 15% in 2013;
- Increasing segment operating cash flow from our Access segment. We defined segment operating cash flow as 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 (excluding the negative non-cash impacts of Lucent's purchase price allocation) plus the change in operating working capital (as defined in Note 17 to our consolidated financial statements). Our objective is to generate operating cash flow from the Access segment at or above €200 million in 2015 (We had previously set a target of €250 million which we have adjusted to take into account the sale of the Enterprise business and LGS Innovations in 2014). In 2014, operating cash flow for the Access segment was €48 million, which represented an increase of €185 million compared to 2013, stemming primarily from improved profitability as well as improved operating working capital. We are managing these businesses by stabilizing our wireless business, building on our leadership position in fixed access, restructuring our managed services business and unlocking value from patent licensing. We are reducing our investment in legacy research and development and streamlining our SG&A expenses in order to lower operating expenses for the Access segment by 25% in 2015 as compared to 2012.
- **Market diversification:** successful implementation of The Shift Plan will enable us to improve the way we access the market, resulting in a business that is better leveraged, by addressing new customers including cable operators, webscale and large technology enterprises. Furthermore, market diversification has led us to redesign our sales and marketing strategy to leverage our new focused product and services portfolio and help us to identify new market segments such as data centers. In 2014, approximately 8% of our revenues were with non-telecommunications customers;
- **Rightsizing of the cost structure:** successful implementation of The Shift Plan should enable us to achieve €950 million of fixed cost savings in 2015 compared to our 2012 cost base at constant exchange rates (we had previously set a target of €1 billion which we have adjusted to take into account the sale of the Enterprise business and LGS Innovations in 2014), by significantly reducing SG&A expenses, optimizing research and development investments, refocusing and unlocking innovation, implementing delivery and supply chain/manufacturing efficiencies and reducing product complexity while improving quality. As of December 31, 2014, €675 million of fixed cost savings had been generated compared to our 2012 base, of which €340 million has been generated in 2014, and €335 million in 2013;
- **Generating cash from dispositions:** we are aiming to generate at least €1 billion of cash over the 2013-2015 period through asset dispositions. As of the date of this filing, we have announced the following closed disposals:
  - the sale of LGS Innovations Inc., our Government business, to a U.S.-based company owned by a Madison Dearborn Partners-led investor group that includes CoVant which was completed on March 31, 2014,
  - the sale of 85% of Alcatel-Lucent Enterprise to China Huaxin, a technology investment company,
  - the sale of our cyber-security services & solutions and the communications security business to Thales;

  On July 31, 2014, we also announced our intent to explore the capital opening of our subsidiary Alcatel-Lucent Submarine Networks (ASN) through an IPO, in order to finance the reinforcement of its leadership in telecom submarine systems and its diversification into the Oil & Gas market, to increase its visibility and to optimize capital allocation. Alcatel-Lucent will retain the majority of the ownership. Subject to market conditions, this capital opening is targeted to take place in the second half of 2015. In the meantime, on March 18, 2015, in order to streamline its operations, ASN took full ownership of the marine assets that were previously shared in a JV with Louis Dreyfus Armateurs (see Section 4.2 « History and development », sub-section « Recent events »).

- **Self-funded plan and financial sustainability:** We completed The Shift Plan's goal to strengthen our balance sheet from 2013 through 2015 through €2 billion of debt management transactions. The Group took advantage of favorable capital markets conditions and extended the average maturity of our debt. Our goal of reducing our overall debt by €2 billion is more than halfway complete following the raising of €957 million in December 2013 through a capital increase and the conversion of the outstanding €48 million of OCEANE 2015 in December 2013.

6.7 Qualitative and quantitative disclosures about market risks

Financial instruments

We enter into derivative financial instruments primarily to manage our exposure to fluctuations in interest rates and foreign currency exchange rates. Our policy is not to take speculative positions. Our strategies to reduce exchange and interest rate risk have served to mitigate, but not eliminate, the positive or negative impact of exchange and interest rate fluctuations.

Derivative financial instruments held by us at December 31, 2014 were mostly hedges of existing or future financial or commercial transactions or were related to issued debt.

The largest portion of our issued debt is in euro and U.S. dollar. We use cross-currency interest rate derivatives to convert a part of our U.S. dollar fixed rate debt into euro fixed rate debt in order to cover the currency risk.

Counterparty risk

For our marketable securities, cash, cash equivalents and financial derivative instruments, we are exposed to credit risk if a counterparty defaults on its financial commitments to us. This risk is monitored daily, with strict limits based on the counterparties' rating. All of our counterparties were classified in the investment grade category as of December 31, 2014. The exposure of each market counterparty is calculated taking into account the fair value of the underlying market instruments.

Foreign currency risk

Since we conduct commercial and industrial operations throughout the world, we are exposed to foreign currency risk. We use derivative financial instruments to protect ourselves against fluctuations of foreign currencies which have an impact on our assets, liabilities, revenues and expenses.

Future transactions mainly relate to firm commercial contracts and forecasted transactions. Firm commercial contracts and forecasted transactions are hedged by forward foreign exchange transactions. The duration of future transactions that are not firmly committed does not usually exceed 18 months.

Interest rate risk on financial debt, net

In the event of an interest rate decrease, the fair value of our fixed-rate debt would increase and it would be more costly for us to repurchase it (not taking into account that an increased credit spread reduces the value of the debt).

In the table below, the potential change in fair value for interest rate sensitive instruments is based on a hypothetical and immediate 1% fall or rise for 2014 and 2013, in interest rates across all maturities and for all currencies. Interest rate sensitive instruments are fixed-rate, long-term debt or swaps and marketable securities.

	December 31, 2014				December 31, 2013			
(In millions of euros)	Booked value	Fair value	Fair value variation if rates fall by 1% (1)	Fair value variation if rates rise by 1%	Booked value	Fair value	Fair value variation if rates fall by 1% (1)	Fair value variation if rates rise by 1%
Assets								
Marketable securities	1,672	1,672	(2)	2	2,259	2,259	6	(6)
Cash and cash equivalents (2)	3,878	3,878	-	-	4,096	4,096	-	-
Liabilities								
Convertible bonds	(1,498)	(2,346)	(55)	53	(1,191)	(1,989)	(21)	20
Non convertible bonds	(3,198)	(3,372)	(229)	205	(4,485)	(4,746)	(269)	244
Other financial debt	(581)	(581)	-	-	(486)	(486)	-	-
Derivative interest rate instruments - other current and non-current assets	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	**274**	**(748)**	**(249)**	**273**	**190**	**(867)**	**(287)**	**274**
Derivative FX instruments on financial debt - other current and non-current assets	123	123	-	-	5	5	-	-
Derivative FX instruments on financial debt - other current and non-current liabilities	(71)	(71)	-	-	(46)	(46)	-	-
DEBT/CASH POSITION	**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 and cash equivalents, the booked value is considered as a good estimation of the fair value.

The fair value of the instruments in the table above is calculated with market standard financial software according to the market parameters prevailing on December 31, 2014.

Fair value hedge and cash flow hedge

The ineffective portion of changes in fair value hedges and cash flow hedges was nil at December 31, 2014, as was the case at December 31, 2013.

Net investment hedge

At each of December 31, 2014 and 2013, there were no derivatives that qualified as investment hedges.

Equity risks

We may use derivative instruments to manage the equity investments in listed companies that we hold in our portfolio. We may sell call options on shares held in our portfolio and any profit would be measured by the difference between our book value for such securities and the exercise price of the option, plus the premium received.

We may also use derivative instruments on our shares held in treasury. Such transactions are authorized as part of the stock repurchase program approved at our shareholders' general meeting held on May 28, 2014.

We do not currently have any derivative instruments in place on investments in listed companies or on our shares held in treasury.

Additional information regarding market and credit risks, including the hedging instruments used, is provided in Note 26 to our consolidated financial statements.

6.8 Legal Matters

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 to our consolidated financial statements) 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

Beginning 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. Upon learning of these allegations, Alcatel commenced an investigation into this matter.

In connection with the Costa Rica allegations, on July 27, 2007, the Costa Rican Prosecutor's Office indicted eleven individuals, including the former president of Alcatel de Costa Rica, on charges of aggravated corruption, unlawful enrichment, simulation, fraud and others. Three of those individuals have since pled guilty. Shortly thereafter, the Costa Rican Attorney General's Office and ICE, acting as victims of this criminal case, each filed amended civil claims against the eleven criminal defendants, as well as five additional civil defendants (one individual and four corporations, including CIT) seeking compensation for damages in the amounts of U.S.$52 million (in the case of the Attorney General's Office) and U.S.$20 million (in the case of ICE). The Attorney General's claim supersedes two prior claims, of November 25, 2004 and August 31, 2006. On November 25, 2004, the Costa Rican Attorney General's Office commenced a civil lawsuit against CIT to seek pecuniary compensation for the damage caused by the alleged payments described above to the people and the Treasury of Costa Rica, and for the loss of prestige suffered by the Nation of Costa Rica (social damages). The ICE claim, which supersedes its prior claim of February 1, 2005, seeks pecuniary compensation for the damage caused by the alleged payments described above to ICE and its customers, for the harm to the reputation of ICE resulting from these events (moral damages), and for damages resulting from an alleged overpricing it was forced to pay under its contract with CIT. During preliminary court hearings held in San José during September 2008, ICE filed a report in which the damages allegedly caused by CIT are valued at U.S.$71.6 million.

Alcatel-Lucent settled the Attorney General's social damages claims in return for a payment by CIT of approximately U.S.$10 million. ICE argued that their civil claims are not included in the settlement with the Attorney General, and proceeded to take such civil claims to trial with the criminal claims. The trial of the criminal case, including the related civil claims, started on April 14, 2010. On April 5, 2011, the trial was closed by the Tribunal. The Tribunal rendered its verdict on April 27, 2011, and declined on procedural grounds to rule on ICE's related civil claims against Alcatel-Lucent. The Tribunal issued its full written ruling on May 25, 2011. The corresponding reserve previously booked for an amount of approximately €2 million was fully reversed during the second quarter 2011. In December 2012, the Court of Appeals (which found all of the individual defendants not guilty on procedural grounds) reversed the lower criminal court's decision not to rule in the matter of ICE's claim against Alcatel-Lucent and remanded that matter for resolution. In the beginning of 2013, ICE filed an extraordinary appeal on cassation before the Costa Rican Supreme Court seeking to obtain confirmation of the lower criminal court's decision which referred the parties to a civil court. In 2014, the Supreme Court reversed the Court of Appeals' decision to render invalid certain key evidence against some of the individual defendants and ordered the Court of Appeals to issue a new decision. The lower criminal court will decide on Alcatel-Lucent's claim against ICE for legal costs.

Additionally, in August 2007, ICE notified CIT of the commencement of an administrative proceeding to terminate the 2001 contract for CIT to install 400,000 GSM cellular telephone lines (the "400KL GSM Contract"), in connection with which ICE is claiming compensation of U.S.$59.8 million for damages and loss of income. By March 2008, CIT and ICE concluded negotiations of a draft settlement agreement for the implementation of a "Get Well Plan," in full and final settlement of the above-mentioned claim. This settlement agreement was not approved by ICE's Board of Directors which resolved, instead, to resume the aforementioned administrative proceedings to terminate the operations and maintenance portion of the 400KL GSM Contract, claim penalties and damages in the amount of U.S.$59.8 million and call the performance bond. CIT was notified of the termination by ICE of this portion of the 400 KL GSM Contract on June 23, 2008. ICE has made additional damages claims and penalty assessments related to the 400KL GSM Contract that bring the overall exposure under the contract to U.S.$78.1 million in the aggregate, of which ICE has collected U.S.$5.9 million.

In June 2008, CIT filed an administrative appeal against the termination mentioned above. ICE called the performance bond in August 2008, and on September 16, 2008 CIT was served notice of ICE's request for payment of the remainder amount of damages claimed, U.S.$44.7 million. On September 17, 2008, the Costa Rican Supreme Court ruled on the appeal filed by CIT stating: (i) that the U.S.$15.1 million performance bond amount was to be reimbursed to CIT and (ii) to suspend the U.S.$44.7 million claim until final resolution by the competent court of the case. Following a clarification request filed by ICE, the Court finally decided that the U.S.$15.1 million performance bond amount was to remain deposited in an escrow account held by the Court, until final resolution of the case. On October 8, 2008, CIT filed a claim against ICE requesting the court to overrule ICE's partial termination of the 400KL GSM Contract and claiming compensation for the damages caused to CIT. In January 2009, ICE filed its response to CIT's claim. At a court hearing on March 25, 2009, ICE ruled out entering into settlement discussions with CIT. On April 20, 2009, CIT filed a petition to the Court to recover the U.S.$15.1 million performance bond amount and offered the replacement of such bond with a new bond that would guarantee the results of the final decision of the Court. CIT appealed the Court's rejection of such petition and the appeal was resolved on March 18, 2010 in favor of CIT. As a consequence of this decision, CIT can collect the aforementioned U.S.$15.1 million amount upon submission to the Court of a bank guarantee for an equivalent amount. Preliminary court hearings on CIT's substantive case were held between October 2009 and October 2010. The case is expected to be set for trial in 2015.

On October 14, 2008, the Costa Rican authorities notified CIT of the commencement of an administrative proceeding to ban CIT from government procurement contracts in Costa Rica for up to 5 years. In March 2010, CIT was notified of a new administrative proceeding whereby ICE seeks to ban CIT from procurement contracts, as a consequence of alleged material breaches under the 400KL GSM Contract (in particular, in connection with failures related to road coverage and quality levels). The administrative proceeding was suspended on December 8, 2009 pending the resolution of the criminal case mentioned above.

On May 3, 2012, ICE filed before the Tribunal Contencioso Administrativo y Civil de Hacienda of Costa Rica a new claim against a number of Alcatel-Lucent legal entities with regards to the corruption matter that was investigated by and settled with the Costa Rican and United States authorities. ICE subsequently reformulated its claim, requesting U.S.$18 million for pecuniary losses and an undetermined amount for moral damages.

The Tribunal, at a hearing on March 15, 2014, ruled in favor of Alcatel-Lucent, confirming that the claim had already been settled. Alcatel-Lucent had not booked a reserve for this claim. ICE appealed in cassation before the Supreme Court. The Court has not yet issued a pronouncement as to the admissibility of the appeal.

Alcatel-Lucent generated €2 million in revenue from Costa Rican contracts in 2014. Based on the amount of revenue expected from these contracts, Alcatel-Lucent believes that the loss of business in Costa Rica, if it were to occur, would not have a material adverse effect on the Alcatel-Lucent group as a whole.

Alcatel-Lucent has recognized a provision in connection with the various ongoing proceedings in Costa Rica when reliable estimates of the probable future outflow were available.

Investigations 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.

Investigation 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 not expected before the end of 2015. 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 Note 31 to our consolidated financial statements.

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, 2014.

6.9 Research and development - expenditures

In 2014, 16.7% of revenues were spent in innovation and in supporting our various product lines. These expenditures amounted to €2,200 million before capitalization of development expenses and capital gain (loss) on disposal of fixed assets, and excluding the impact of the purchase price allocation entries of the business combination with Lucent, which represents a decrease of 0.2% from the €2,205 million spent in 2013, and an increase as a percent of revenues, from 16.0% in 2013. In 2014, legacy R&D spending represented 17% of total R&D, compared to 25% in 2013, as we work to achieve our target of 15% by 2015 as part of The Shift Plan.

7

Corporate governance

The report of the Chairman of the Board of Directors governed by the provisions of Article L. 225-37 of the French Commercial Code, describes among other things the composition of the Board and how it prepares and organizes its work. The following topics required to be included in the report are dealt with in Chapter 7 "Corporate governance" or elsewhere, as indicated:

- the composition of the Board of Directors, the limitations of the powers of the Chief Executive Officer and the preparation and organization of the work of the Board of Directors and of the Committees, in Section 7.1 "Chairman's corporate governance report";
- the compensation of the Chairman of the Board of Directors and of the Chief Executive Officer ("Executive Directors"), in Chapter 8 "Compensation and long-term incentives" relating to the compensation policy and commitments concerning retirement for the Executive Directors and long-term compensation mechanisms for to the Executive Directors;
- the attendance of shareholders at the Shareholders' Meetings and the information required by Article L. 225-100-3 of the French Commercial Code which may have an effect in the event of a takeover bid, in Sections 10.1.2 « Specific provisions of the bylaws and of law », 10.1.3 « Elements which could have an impact in case of public tender offer (information required by Article L. 225-100-3 of the French Commercial Code) », 10.2 « Capital » and 10.5 « Shareholders' Meetings ».

7.1 Chairman's corporate governance report

7.1.1 Management bodies of the Company

7.1.1.1 The Board of Directors

Alcatel Lucent has a Board of Directors, consisting, on March 13, 2015, of eleven Directors appointed for three years, ten of which are independent according to the AFEP-MEDEF Code. Our Board of Directors also includes two Board Observers (in French, "Censeurs").

Philippe Camus
Chairman of the Board of Directors and
independent Director

Jean C. Monty
Vice-Chairman of the Board of Directors and
independent Director

Michel Combes
CEO and Director

Francesco Caio
Independent Director
Chief Executive Officer of Poste Italiane

Carla Cico
Independent Director

Stuart E. Eizenstat
Independent Director
Chair International Trade & Finance of Covington & Burling LLP

Kim Crawford Goodman
Independent Director

Louis R. Hughes
Independent Director
Chairman of InZero Systems

Véronique Morali
Independent Director

Olivier Piou
Independent Director
Chief Executive Officer of Gemalto

Jean-Cyril Spinetta
Independent Director
Honorary Chairman of Air France-KLM

Bertrand Lapraye
Board Observer
Member of the FCP 2AL "Actionnariat Alcatel-Lucent"

Gilles Le Dissez
Board Observer
Chairman of the Supervisory Board of the FCP 2AL "Actionnariat Alcatel-Lucent"

Barbara Larsen
Secretary to the Board of Directors
General Counsel

Nathalie Trolez Mazurier
Deputy Secretary to the Board of Directors
Director Securities & Corporate Law

As of March 13, 2015, our Board of Directors consists of 11 Directors, three of whom are women, representing four different nationalities and with an average age of 60 years. The term of office is three years and, in compliance with the AFEP-MEDEF code of corporate governance for listed companies ("AFEP-MEDEF Code"; see Section 7.1.2.3 "AFEP-MEDEF Code" for more information), the renewal of the terms of office as director is staggered. One third of the members of the Board of Directors has been renewed each year since 2013 (see Section 7.1.4.2 "Corporate Governance and Nominating Committee").

The Board of Directors consists of 11 Directors, 3 of whom are women, representing 4 different nationalities

Directors	Positions	Age	Independence (1)	Nationality	Expiration of mandates	Mandates to be renewed
Mr. Camus	Chairman	66	Yes	French	SM 2016	
Mr. Monty	Director	67	Yes	Canadian	SM 2016	
Mr. Combes	CEO	52	No	French	SM 2016	
Mr. Caio	Director	57	Yes	Italian	SM 2017	
Mrs. Cico	Director	54	Yes	Italian	SM 2016	
Mr. Eizenstat	Director	72	Yes	American	SM 2015	●
Mrs. Goodman	Director	49	Yes	American	SM 2017	
Mr. Hughes	Director	66	Yes	American	SM 2015	●
Mrs. Morali	Director	56	Yes	French	SM 2017	
Mr. Piou	Director	56	Yes	French	SM 2015	●
Mr. Spinetta	Director	71	Yes	French	SM 2017	

(1) Independent Director pursuant to the AFEP-MEDEF Code.

(2) The renewal will be submitted to the shareholders at the Shareholders' Meeting to be held on May 26, 2015.

7.1.1.2 The Committees of the Board of Directors

Our Board of Directors has four specialized Committees which examine matters falling within the competence of the Board and provide their views and proposals to the Board. Following Mrs. Véronique Morali and Mr. Francesco Caio's nominations by the Shareholders' Meeting on May 28, 2014, each Committee was composed as follows:

Audit and Finance Committee

Jean C. Monty, Chairman
Kim Crawford Goodman
Louis R. Hughes
Jean-Cyril Spinetta

Corporate Governance and Nominating Committee

Jean-Cyril Spinetta, Chairman
Stuart E. Eizenstat
Louis R. Hughes
Jean C. Monty
Olivier Piou

Compensation Committee

Jean-Cyril Spinetta, Chairman
Stuart E. Eizenstat
Véronique Morali
Olivier Piou

Technology Committee

Louis R. Hughes, Chairman
Francesco Caio
Carla Cico
Kim Crawford Goodman
Olivier Piou
Philippe Keryer (member who is not a Director)

The role and the organization of these four Committees are detailed in Section 7.1.4 "Powers and activity of the Board of Directors' Committees."

7.1.1.3 The Leadership team and the Management Committee

The Leadership team includes the managers from the various organizational areas, namely the business lines, transversal functions and corporate functions. Within the Leadership team, the managers from the transversal and corporate functions together with the CEO form the Management Committee, consisting of six members.

The Management Committee is mainly responsible for the strategy and organization of the Group, policies to be implemented, long-term financial planning and the human resources strategy. It is responsible for supervising the implementation of the Group plans and projects, monitoring the performance of each segment of activity and allocating the resources between these different segments.

Appointments as members of the Leadership team

Mr. Tim Krause became a member on January 1, 2014
Mr. Bhaskar Gorti became a member on January 12, 2015

Outgoing members of the Leadership team

Mr. Andrew McDonald was a member until January 12, 2015

CORPORATE FUNCTIONS


Nicole Gionet
Human Resources


Tim Krause
Marketing


Jean Raby
Finance and Legal


Michel Combes
Chief Executive Officer

TRANSVERSAL FUNCTIONS


Philippe Guillemot
Operations


Philippe Keryer
Strategy & Innovation


Michel Combes
Sales

BUSINESS LINES


Basil Alwan
IP Routing & Transport


Bhaskar Gorti
IP Platforms


Dave Geary
Wireless


Federico Guillén
Fixed Networks

Information on the current Directors and Board Observers

Philippe CAMUS

Chairman of the Board of Directors - Independent Director (1)
Born on June 28, 1948, French citizen
First appointment: 2008 - Term of the mandate: 2016
Alcatel Lucent shareholding: 1,131,352 ordinary shares

Business Address:
Alcatel Lucent
148/152 route de la Reine
92100 Boulogne-Billancourt
France

Current directorships and professional positions

- **In France:** Chairman of the Board of Directors of Alcatel Lucent*, Honorary Chairman of Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS).
- **Abroad:** Chief Executive Officer of Keynolt Inc., Chairman of the Board of Directors of Aptamir Inc., Senior Advisor of Evercore Partners Inc.*, Director of Cellfish Media LLC.

Positions held over the last 5 years, now ended

- **In France:** Co-managing Partner of Lagardère Group*, Member of the Supervisory Board of Lagardère Active and of Lagardère Services, Director of Éditions P. Amaury, and of Crédit Agricole* SA, Permanent Representative of Lagardère SCA to the Board of Directors of Hachette SA, Permanent Representative of Hachette SA to the Board of Directors of Lagardère Services, Vice-Chairman, Deputy Chief Executive Officer of Arjil Commanditée - Arco.
- **Abroad:** Chairman and CEO of Lagardère North America Inc., Director of Schlumberger* and of Lagardère Unlimited Inc.

Career

- Philippe Camus is Chairman of the Board of Alcatel-Lucent since 2008, and Senior Advisor of Evercore Partners. Philippe Camus left the Lagardère Group in 2012. He was co-managing partner of the Lagardère Group and Chairman and CEO of Lagardère North America. He began his career in 1972 in the Finance Department of the Caisse des Dépôts et Consignations. After being Financial Analyst and Portfolio Manager, he was appointed Head of the Fixed Income Directorate in 1976. Under his leadership the Caisse des Dépôts et Consignations improved its operating efficiency on the bond market generating higher profit and modernizing the French bond market. He joined the Lagardère Group in 1982 as Executive Chairman of the Finance Committee of the Matra Group until 1992 and Chairman of the Supervisory Board of Banque Arjil until 1993. He was appointed Managing Director of the Lagardère Group in 1993 and was co-managing partner of Lagardère SCA from 1998 to June 2012. As Managing Director of Lagardère, he managed the restructuring of the Matra Group (Aerospace and High Technology) by implementing a tight financial and reporting governance structure and by divesting units to focus the activities on the core business. He personally managed every acquisition, merger, partnership or divestiture realized by Matra from 1982 until 1998. Starting in 1986, he engineered the transformation of Matra and Hachette into an integrated company, thus founding the Lagardère Group. As part of this he managed the rescue of the Hachette Group after the bankruptcy of one of its ventures in television broadcasting (La Cinq). His expertise in international negotiations and management, led him to conduct and oversee the work bringing to the creation of EADS, (now Airbus Group) the 2nd largest aerospace company worldwide. First named Chief Operating Officer, then Chief Executive Officer of Aérospatiale - Matra in 1999, he was Chief Executive Officer of EADS from 2000 until 2005. Philippe Camus was a member of the French supervisory authority for the financial markets from 1996 to 2001. He is a board member of the Institut d'Expertise et de Prospective of the Ecole Normale Supérieure and has been President of GIFAS (French Aerospace Industries Association) from 2001 to 2005. He was a director of Schlumberger from 2007 to April 2012. In July 2005, Philippe Camus was made Officier of the French Légion d'Honneur and in May 2004, he was awarded the Cross of the German Merit Order (Verdienstkreuz - 1 Klasse). Philippe Camus has an Economics and Finance degree from the Institut d'Etudes Politiques de Paris, a Physics degree from the Ecole Normale Supérieure (rue d'Ulm) and a doctorate in Actuarial Sciences.
- **Expertise:** 43 years in banking, finance, insurance and 16 years in the industrial sector.

** Listed company*

(1) Pursuant to the AFEP-MEDEF Code.

Jean C. MONTY

Vice-Chairman of the Board of Directors - Independent Director
Born on June 26, 1947, Canadian citizen
First appointment: 2008 - Term of the mandate: 2016
Alcatel Lucent shareholding:
30,001 ordinary shares, 2,399,397 ordinary shares via Libermont Inc. and 2,600,003 American Depositary Shares via Libermont Inc.

Business Address:
1485, rue Sherbrooke Ouest,
Suite 2B
Montreal (Québec)
Canada

Current directorships and professional positions

- **In France:** Independent Director, Vice-Chairman of the Board of Directors, Chairman of the Audit and Finance Committee and Member of the Corporate Governance and Nominating Committee of Alcatel Lucent*.
- **Abroad:** Director, Member of the Audit Committee, Chairman of the Human Ressources and Compensation Committee of Bombardier*, Director of Centria Inc. and of Fiera Capital Inc.*, Member of the International Advisory Board of the Ecole des Hautes Études Commerciales.

Career

- Jean C. Monty holds a Bachelor of Arts degree from Collège Sainte-Marie of Montréal, a Master of Arts in economics from the University of Western Ontario, and a Master of Business Administration from the University of Chicago. Jean C. Monty began his career at Bell Canada in 1974 and held numerous positions in the BCE group. He joined Nortel Networks Corporation in October 1992 as President and Chief Operating Officer before being nominated President and Chief Executive Officer in March 1993. On April 24, 2002, Mr. Monty, then Chairman of the Board and Chief Executive Officer of Bell Canada Enterprises (BCE Inc.), retired after a 28-year career. He is a member of the Board of Directors of Bombardier Inc. since 1998, and a member of the Board of Directors of Centria Inc. and Fiera Capital Inc. He is also a member of the International Advisory Board of the école des Hautes Études Commerciales. He was appointed a member of the Order of Canada for his contribution to business, public interests and community affairs. In recognition of these achievements, he was elected Canada's Outstanding CEO of the Year for 1997. In addition, he was inducted into the Académie des Grands Montréalais.
- **Expertise:** 34 years in telecommunications and 10 years in finance.

** Listed company*

Michel COMBES

Chief Executive Officer - Director not independent
Born on March 29, 1962, French citizen
First appointment: 2013 - Term of the mandate: 2016
Alcatel Lucent shareholding: 500 ordinary shares

Business Address:
Alcatel Lucent
148/152 route de la Reine
92100 Boulogne-Billancourt
France

Current directorships and professional positions

- **In France:** Chief Executive Officer and Director of Alcatel Lucent*.
- **Abroad:** Director, Member of the Audit Committee, Member of the Nominating and Remuneration Committee of MTS OJSC*, Director, Chairman of the Audit Committee, Member of the Nominating and Remuneration Committee of Altice*.

Directorships over the last 5 years

- **In France:** Chairman of the Supervisory Board of Assystem SA*(1), Chairman of the Board of Directors of Atari*.
- **Abroad:** Director of Vodaphone PLC*, Member of the Board of Directors ISS A/S and ISS World Services A/S.

Career

- Mr. Michel Combes graduated from the École Polytechnique and the École Nationale Supérieure des Télécommunications. He began his career at France Telecom in 1986 in the External Networks Division, and then moved to the Industrial and International Affairs Division. After being technical advisor to the French Minister of Transportation from 1991 to 1995, he served as Chairman and Chief Executive Officer of GlobeCast from 1995 to 1999. He was Executive Vice President of Nouvelles Frontières Group from December 1999 until the end of 2001 when he moved to the position of Chief Executive Officer of Assystem, a company specializing in industrial engineering until the end of 2002. He returned to France Telecom Group in January 2003 as Chief Financial Officer and Senior Executive Vice President. Until January 2006, he was Senior Executive Vice President, in charge of NExT Financial Balance & Value Creation and a member of the France Telecom Group Strategic Committee. From 2006 to 2008, he was Chairman and Chief Executive Officer of TDF Group and then became Chief Executive Officer, Europe Region, of Vodafone PLC and Board member.

- **Expertise:** 28 years in telecommunications.

** Listed company*

(1) Term of office expired in May 2014

Francesco CAIO

Independent Director
Born on August 23, 1957, Italian citizen
First appointment: 2014 - Term of the mandate: 2017
Alcatel Lucent shareholding: 2,100 ordinary shares

Business Address:

Poste Italiane
Viale Europa 175
00144 Roma
Italy

Current directorships and professional positions

- **In France:** Independent Director and Member of the Technology Committee of Alcatel Lucent*.
- **Abroad:** CEO Poste Italiane (1).

Positions held over the last 5 years

- **Abroad:** Member of Icann's High-Level Panel on Global Internet Cooperation and Governance Mechanisms (2), Non executive Director of Avio Aero (2), Italian Government Commissioner for the implementation of the Digital Agenda, Chief Executive Officer of Avio Aero, Chief Executive Officer of Avio, Vice Chairman of Nomura Holdings, Director of Indesit Company*, Sole 24 ORE* and Invensys Plc*, Chairman of Caio Digital Partners.

Career

- Mr. Caio graduated in Electronic Engineering at Politecnico di Milano (Italy) and holds an MBA from INSEAD, France. He worked with McKinsey & Company in London (1986-1991). From 1994 to 1996, he served as Chief Executive Officer of Omnitel and then as the Chief Executive Officer of Olivetti after being the head of the telecommunications and multimedia division (1991-1994). Mr. Caio has been the Chief Executive Officer of Merloni Electrodomestici (1997-2000), of Netscalibur Limited (2000 to 2003) and of Cable & Wireless Communications Plc (2003-2006). He became Vice-Chairman Europe and Chairman of the European Advisory Board of Lehman Brothers Inc. (2006-2008). He was also Vice Chairman of Europe Investment Banking of Nomura Holdings from October 2008 to March 2011. From 2011 to 2013, he was the Chief Executive Officer of Avio S.p.A. which became AVIO AERO. Moreover, he was Director of Equant (1998-2001), Motorola Inc. (2000-2003), Sole 24 ORE S.p.A. (2010-2011), Indesit Company SpA (between 1996 and 2004 and 2010 and 2013) and Invensys Plc (2009-2013). He has worked as advisor to governments: in 2008 in the UK - where he led an independent review of broadband networks - in 2009 and 2013 in Italy in the areas of broadband infrastructure and e-government. He has been Italian Government Commissioner for the implementation of the Digital Agenda.
- **Expertise:** 31 years of executive and non-executive leadership and advisory roles in multinational groups operating in high technology and industrial sectors– telecommunications, aerospace, electronics and media.

** Listed company*

(1) Appointed in May 2014
(2) Term of office expired in 2014

Carla CICO

Independent Director
Born on February 21, 1961, Italian citizen
First appointment: 2010 - Term of the mandate: 2016
Alcatel Lucent shareholding: 29,359 ordinary shares

Business Address:
Strada Castellana 30/A
37128 Verona
Italy

Current directorships and professional positions

- **In France:** Independent Director and Member of the Technology Committee of Alcatel Lucent*.
- **Abroad:** Director of EPTA, Independent Director, Member of the Corporate Governance Committee and of the Related Party Committee of World Duty Free*, Independent Director, Member of the Corporate Governance and Nomination Committee of Allegion*.

Positions held over the last 5 years

- **Abroad:** Chief Executive Officer of Rivoli S.p.A. (Italy), Chief Executive Officer of Ambrosetti Consulting (China).

Career

- Graduate from London Business School (MBA), University of London (MSE) and University of Venice, Italy (Oriental languages), from 1987 to 1992, she led the expansion of Italtel, the Italian telecom equipment provider into China's market as its Beijing-based Chief Representative and from 1993 to 1994, she was a representative of IRI (Istituto per la Ricostruzione Industriale) in its Beijing office. From 1995 to 1999, she was an international director of business operations for Stet International. She was cited as one of the Most Powerful Women in International Business, Forbes (1994) and Fortune (1995). From 2001 to 2005, she was CEO of Brazil Telecom. In Reuters Institutional Investor Research (2003), she was selected as the Best Chief Executive Officer in the Telecommunications Sector in Latin America. From 2007 to 2009, she was CEO of the Chinese subsidiary of Ambrosetti Consulting based in Beijing. Carla Cico was from 2010 to 2012, the CEO of Rivoli S.p.A, an infrastructure Company with operations both in Italy and abroad.
- **Expertise:** 28 years in the industry sector.

** Listed company*

Stuart E. EIZENSTAT

Independent Director
Born on January 15, 1943, U.S. citizen
First appointment: 2008 - Term of the mandate: 2015
Alcatel Lucent shareholding: 29,963 ordinary shares

Business Address:

Covington & Burling LLP
1201 Pennsylvania Avenue, N.W.,
Suite 1117C
Washington, DC 20004
USA

Current directorships and professional positions

- **In France:** Independent Director, Member of the Corporate Governance and Nominating Committee and Member of the Compensation Committee of Alcatel Lucent*.
- **Abroad:** Partner and Head of the International Trade and Finance Practice at Covington and Burling LLP, Independent Director, Member of the Nominating and Corporate Governance Committee, Member of the Compensation Committee of United Parcel Service*, Independent Director of Globe Specialty Metals*, Trustee of BlackRock Funds, Member of the international Advisory Board of GML Ltd.

Directorships over the last 5 years

- **Abroad:** Independent Director of Chicago Climate Exchange, Member of the international Advisory Board of The Coca-Cola Company*.

Career

- Stuart E. Eizenstat graduated with honors and Phi Beta Kappa in political science from the University of North Carolina and from Harvard Law School. He holds seven honorary doctorate degrees from various universities and academic institutions and has received the French Legion of Honour and high Awards from German, Austrian, Israeli and U.S. Governments. He has received over 50 awards. Following graduation from law school, he served on the White House Staff of President Lyndon Johnson (1967-1968). He served as Chief Domestic Policy Adviser and Executive Director of the White House Domestic Policy Staff (1977-1981) under President Jimmy Carter. From 1981-1993 he was a Partner and Vice Chairman of the law firm Powell, Goldstein, Frazer & Murphy and he was also Adjunct Lecturer at the John F. Kennedy School of Government of Harvard University (1982-1992). Stuart E. Eizenstat was U.S. Ambassador to the European Union (1993-1996). He served as Under Secretary of Commerce for International Trade (1996-1997), Under Secretary of State for Economic, Business and Agricultural Affairs (1997-1999) and Deputy Secretary of the Treasury (1999-2001) while continuing to work as the Special Representative of the President on Holocaust-Era Issues. During the Clinton Administration, he had a prominent role in the development of key international initiatives involving the European Union. He is a Partner and Head of the International Trade and Finance Practice at Covington & Burling LLP law firm. Moreover, he is a member of the Boards of Directors of United Parcel Service, BlackRock Funds, and Globe Specialty Metals. Stuart E. Eizenstat is the author of "Imperfect Justice", which has been translated into German, French, Czech and Hebrew, and "The Future of the Jews: How Global Forces are Impacting on the Jewish People, Israel, and its Relationship with the United States". His articles have been published in leading publications such as The Financial Times, the New York Times, the International Herald Tribune, and The Washington Post.
- **Expertise:** 34 years in law and 18 years in governmental affairs.

** Listed company*

Kim CRAWFORD GOODMAN

Independent Director
Born on May 1st, 1965, U.S. citizen
First appointment: 2012 - Term of the mandate: 2017
Alcatel Lucent shareholding: 6 348 ordinary shares

Business Address:
1666 Micanopy Avenue
Miami
Florida 33133
USA

Current directorships and professional positions

- **In France:** Independent Director, Member of the Technology Committee and Member of the Audit and Finance Committee of Alcatel Lucent*.

Directorships over the last 5 years

- **Abroad:** Independent Director of AutoNation*.

Career

- Mrs. Kim Crawford Goodman holds a Bachelor of Arts in Political Science and a Masters of Science in Industrial Engineering from Stanford University, and a Masters in Business Administration from Harvard Business School. She started her career in consulting at Bain & Company from 1987 to 2000, before working in the industry sector at Dell Inc. where she held several operating roles from 2000 to 2007 most recently as head of Dell's software and peripherals business. Then she joined American Express in 2007, where she led the Merchant Services business for the Americas for four years. Most recently, she was the Global President for American Express Global Business Travel Division with responsibility for all worldwide teams for sales, service, supplier relation and online/mobile solutions.
- **Expertise:** 8 years in bank, finance, insurance, 8 years in technology and 12 years in strategy consulting.

** Listed company*

Louis R. HUGHES

Independent Director
Born on February 10, 1949, U.S. citizen
First appointment: 2008 - Term of the mandate: 2015
Alcatel Lucent shareholding: 33,926 ordinary shares

Business Address:

InZero Systems
13755 Sunrise Valley Drive,
Suite 750
Herndon, VA 20171
USA

Current directorships and professional positions

- **In France:** Independent Director, Chairman of the Technology Committee, Member of the Audit and Finance Committee and Member of the Corporate Governance and Nominating Committee of Alcatel Lucent*.
- **Abroad:** Chairman of InZero Systems (formerly GBS Laboratories) (USA), Independent Director, Member of the Audit Committee of Akzo Nobel* (The Netherlands), Independent Director and Chairman of the Audit, Finance and Compliance Committee of ABB* (Switzerland), and Executive Advisor Partner of Wind Point Partners.

Positions held over the last 5 years

- **Abroad:** Chief Executive Officer of GBS Laboratories (USA), Independent Director of Sulzer* (Switzerland), Member of the Advisory Board of Directors of British Telecom Americas (USA).

Career

- Louis R. Hughes graduated from Harvard Business School (MBA, 1973) and from Kettering University (formerly General Motors Institute), B.S. (Mechanical Engineering, 1971). He is Chairman of InZero Systems (formerly GBS Laboratories LLC). He was also CEO of GBS from 2005-2010. Louis R. Hughes is an Executive Advisor Partner of Wind Point Partners. Moreover, Mr Hughes has been a member of the Boards of Directors of ABB (Switzerland, since 2003) and Akzo Nobel (The Netherlands, since 2007). He served as President and Chief Operating Officer of Lockheed Martin Corp. His prior experiences also include positions of Chief of Staff Afghanistan Reconstruction Group, U.S. Department of State, from 2004 to 2005, Executive Vice President of General Motors Corporation from 1992 to 2000, President of General Motors International Operations from 1994 to 1999, President of General Motors Europe from 1992 to 1994 and Managing Director of Adam Opel AG from 1989 to 1992. He was non-executive Chairman of Maxager (renamed Outperformance in 2008) from 2000 to 2008. He has also served on several Boards, including: Sulzer (Switzerland) from 2001 to 2009, British Telecom (United Kingdom) from 2000 to 2006, Electrolux AB (Sweden) from 1996 to 2008, MTU Aero Engines GmbH (Germany) from 2006 to 2008, Deutsche Bank from 1993 to 2000, Saab Automobile AB from 1992 to 2000 and Adam Opel AG from 1989 to 1992. He was also a member of the British Telecom Americas Advisory Board from 2006 to 2009.
- **Expertise:** 35 years in the industry sector, 15 in the telecommunications sector and 9 years in computer security sector.

** Listed company*

Véronique MORALI

Independent Director
Born on September 12, 1958, French citizen
First appointment: 2014 - Term of the mandate: 2017
Alcatel Lucent shareholding: 500 ordinary shares

Business Address:
Webedia
3, avenue Hoche
75008 Paris
France

Current directorships and professional positions

- **In France:** Independent Director and Member of the Compensation Committee of Alcatel Lucent*, Chief Executive Officer of Webedia, Director, Member of the Audit Committee of Edmond de Rothschild SA, Member of the Supervisory Board, Member of the Audit Committee, Member of the Compensation Committee of Edmond de Rothschild (France), Director, Member of the Supervisory Board of Publicis Group*.
- **Abroad:** Chairman of Fimalac Développement, Vice-Chairman of Fitch Group Inc., Director of Coca-Cola Enterprises Inc.* and of Fitch Inc., Member of the Audit Committee of Edmond de Rothschild Holding SA.

Directorships over the last 5 years

- **In France:** Director of Fimalac*(1) and Permanent Representative of Fimalac*(1) to the Board of Directors of Groupe Lucien Barrière SAS, Director of Havas, Member of the Strategy Committee of Ernst & Young, Chairman of TFco Terrafemina.

Career

- Mrs Véronique Morali graduated from the IEP Paris, ESCP and holds a Master in Business law. After graduating from École Nationale d'Administration, Véronique Morali joined the French civil service (Inspection Générale des Finances) in 1986. She left the civil service in 1990 to join Fimalac, where she successively held the positions of Manager for Special Projects, Deputy Chief Operating Officer, and Chief Operating Officer and member of the Board. Since October 1, 2007, she has been Chairman of Fimalac Développement and Vice-Chairman of Fitch Group. She also was Chairman of the Commission du dialogue économique (Medef) from 2000 to 2005.
- **Expertise:** 29 years in Finance, Entrepreneurship and Digital sector

** Listed company*

(1) Term of office expired in April 2014

Olivier PIOU

Independent Director [(1)]
Born on July 23, 1958, French citizen
First appointment: 2008 - Term of the mandate: 2015
Alcatel Lucent shareholding: 88,955 ordinary shares

Business Address:
Gemalto
6, rue de la Verrerie
92190 Meudon
France

Current directorships and professional positions

- **In France:** Independent Director, Member of the Corporate Governance and Nominating Committee, Member of the Compensation Committee and Member of the Technology Committee of Alcatel Lucent*.
- **Abroad:** CEO and Director of Gemalto* (The Netherlands).

Directorships over the last 5 years

- **In France:** Director of INRIA (Institut National de Recherche en Informatique et en Automatique).

Career

- Olivier Piou graduated in Engineering from École Centrale de Lyon (ECL, 1980). After his military duty in the French alpine division, he joined Schlumberger in 1981 as a production engineer. He held for Schlumberger numerous management positions in the areas of technology, marketing and operations, in France and the United States. In 2004 he successfully introduced to the stock market Axalto, the smart card division of Schlumberger which he managed since 1998, through an initial public offering (IPO). He was the CEO and a Board member of Axalto from 2004 to 2006, and in 2006 he led the commended merger of equals of Axalto and Gemplus which formed Gemalto, the world leader in digital security. Since 2006 he has been the CEO of Gemalto, and a member of its Board of Directors. Olivier Piou was also formerly a member of the Board of Directors of INRIA, the French National Institute for Research in Computer Science and Control, and President of Eurosmart, the international non-for-profit association based in Brussels which represents the smart card industry.
- **Expertise:** 34 years in the industry sector, 29 years in the computer, software, telecommunications, payment and electronic transactions sectors, 15 years in the energy sector.

** Listed company*

(1) Pursuant to the AFEP-MEDEF Code.

Jean-Cyril SPINETTA

Independent Director
Born on October 4, 1943, French citizen
First appointment: 2006 - Term of the mandate: 2017
Alcatel Lucent shareholding: 29,791 ordinary shares

Business Address:
Air France-KLM
2, rue Robert Esnault-Pelterie
75326 Paris Cedex 07
France

Current directorships and professional positions

- **In France:** Independent Director, Chairman of the Compensation Committee, Chairman of the Corporate Governance and Nominating Committee and Member of the Audit and Finance Committee of Alcatel Lucent*, Honorary Chairman of Air France-KLM*,

Directorships over the last 5 years

- **In France:** CEO and Chairman of the Board of Directors of Air France-KLM*, Chairman of Air France, Director of the Compagnie de Saint-Gobain*, Chairman of the Supervisory Board of Areva*, Director of La Poste and of Gaz de France Suez*, Chairman of the *Conseil National Education Economie*(1), Member of the Advisory Board of Paris Europlace.
- **Abroad:** Director of Alitalia CAI(1), Member of the Board of Governors of IATA.

Career

- A graduate in public law and from the Institut d'études politiques of Paris, Jean-Cyril Spinetta began his career as assistant lecturer and later central administration attaché (1961-70). After moving to the École nationale d'administration (Charles de Gaulle class, 1970-1972), he held a number of positions within the National Education Ministry. He was several times seconded to other Departments, as Auditor of the Conseil d'État (1976-1978), chargé de mission to the General Secretariat of the Government (1978-1981), head of the Information Department of Prime Minister Pierre Mauroy (1981-1983), chief of staff to Michel Delebarre when Minister for Employment, Minister of Social Affairs, Minister of Transport and later Minister of Equipment (1984-1986 and 1988-1990), chargé de mission and industrial advisor to the Office of the President of the Republic (1994-1995), préfet (1995), technical advisor to the cabinet of Édith Cresson, EU Commissioner (1996), and expert for France seconded to the European Commission (1997). After a period as Chairman and CEO of Compagnie Air Inter (1990-1993), he was Chairman and CEO of Air France (1997-2008), as well as Chairman and CEO of Air France-KLM (2004-2008), and then Chairman of the Board of Directors of Air France-KLM and CEO once again from 2011 to 2013. Mr. Spinetta has also been Chairman of the Board of Governors of the International Association of Air Transport (IATA), a Director of Compagnie de Saint-Gobain (2005-2013), a Director of Alitalia CAI (2009-2014) and Chairman of the Supervisory Board of Areva (2009-2013).
- **Expertise:** 21 years in air transport and 22 years in public service.

** Listed company*

(1) Term of office expired in 2014

Bertrand LAPRAYE

Board Observer
Born on December 4, 1963, French citizen
First appointment: 2010 - Term of the mandate: 2015
Alcatel Lucent shareholding: 2,694 units in FCP 2AL

Business Address:
Alcatel-Lucent International
Centre de Villarceaux
Route de Villejust
91620 Nozay
France

Current directorships and professional positions

- **In France:** Engineer, Data Protection Officer, Board Observer of the Board of Directors of Alcatel Lucent*, Member of the Actionnariat Alcatel-Lucent mutual fund (FCP 2AL), Director of Humanis Prévoyance, OCIRP Prévoyance, Interexpansion / Fongepar SA.

Directorships over the last 5 years

- **In France:** Member of the Board of the Healthcare and Insurance institution La Boétie Prévoyance, Member of the Supervisory Board of Actionnariat Alcatel-Lucent mutual fund (FCP 2AL).

Career

- Bertrand Lapraye graduated from the French "Institut National Polytechnique de Grenoble (ENSIEG)" as an Electrical Engineer (Remote-control - Signal Processing). He is a former student of the French "Institut d'Etudes Politiques", LLB (licencié en droit université Paris 1 Panthéon Sorbonne) based in Paris. Bertrand Lapraye started his career at the Compagnie Générale d'Électricité (CGEE ALSTHOM), from 1988 to 1990. He then joined a software company (SEMA Group) working as a software engineer for various customers (French Ministry of Defence, Électricité de France, French Agriculture Ministry, Compagnie Générale de Géophysique), as a research engineer and then as a software project manager. In 1997, he joined the research center of the Alcatel group as part of a corporate software platform program dedicated to telecommunication equipment and systems, notably in optics and IP. He was an Architecture and System Team manager (1999), then consultant (2001) for distributed development projects (Europe, Canada, India, North America). In 2003 he was a member of a Research Team working on the emerging mobile internet (ad hoc networks, WiMAX, Mobile IP, etc.). He is the author of 7 patents dealing with network management and high capacity IP mobile networks. In 2008, as a member of the CTO team for the Carrier Products Group, he took part in projects aimed at improving R&D efficiency within Alcatel-Lucent. Since February 2010, he is a consultant on an R&D cost and efficiency improvement project for W-CDMA networks by implementing Agile/Lean methods. Since June 2011 Data Protection Officer (Correspondant Informatique et Libertés) in certain French subsidiaries of the group. He is Director of Humanis Prévoyance, OCIRP Prévoyance, Interexpansion / Fongepar SA
- **Expertise:** 27 years in the industry sector, including 18 years in Telecommunications and 8 years in the Healthcare and Insurance sector.

** Listed company*

Gilles LE DISSEZ

Board Observer
Born on May 8, 1958, French citizen
First appointment: 2013 - Term of the mandate: 2016
Alcatel Lucent shareholding: 15 ordinary shares and 7,870 units in FCP 2AL

Business Address:
Alcatel-Lucent International
4, rue Louis de Broglie
22304 Lannion
France

Current directorships and professional positions

- **In France:** Engineer, Board Observer of the Board of Directors of Alcatel Lucent*, Chairman of the Supervisory Board of Actionnariat Alcatel-Lucent mutual fund (FCP 2AL).

Career

- Gilles Le Dissez graduated from the Institut Universitaire de Technologie en Génie Electrique in electrical engineering (1978). He joined the R&D center Alcatel-Lucent France at Lannion as software developer from 1980 to 1994. He worked on the call-processing software for China, specializing on the E10 and OCB283 products. He then worked on various products of the Company and was a correspondent for Technical Center (CTE RSA) abroad. Since 2008, he is engineer gestion de configuration for Wireless WCDMA activity and participates to the ongoing integration of NodeB. In parallel, he is staff representative.
- **Expertise:** 35 years in telecommunications

** Listed company*

7.1.2 Principles of organization of our Company's management

7.1.2.1 Principles of corporate governance

Separation of functions and powers

Alcatel Lucent operates according to the "monist" system (meaning that it is managed by a Board of Directors). The duties of the Chairman and of the Chief Executive Officer are separated. Indeed, the Board of Directors considered that this corporate governance mode was the best one in the current context. It was confirmed to be efficient by the annual evaluations of the Board.

The functions of Chairman of the Board of Directors and Chief Executive Officer are performed, respectively, by Mr. Philippe Camus, since October 1, 2008, and by Mr. Michel Combes, since April 1, 2013. In the context of the transformation of Alcatel Lucent, the Board of Directors is particularly comfortable with the strong co-operation between the Chairman and the CEO, which confirms the choice of the governance structure for the Company.

Chairman of the Board of Directors

The Board of Directors reappointed Mr. Philippe Camus as Chairman of the Board of Directors following the renewal of his appointment as Director at the Shareholders' Meeting of May 7, 2013, for a three-year period, that will expire at the end of the Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending December 31, 2015.

Mr. Philippe Camus chairs the Board of Directors, and organizes and manages the tasks of the Board of Directors and reports on the outcome thereof at the annual Shareholders' Meeting. He oversees the operation of the Company's corporate bodies and especially those of the Committees of the Board and, more generally, ensures that the Company complies with the best corporate governance practices. The Board of Directors granted Mr. Philippe Camus a delegation of authority enabling him to represent the Group at high-level meetings, in particular with government representatives, on a national and international basis. The Chairman's authority is detailed in Article 8 of the Operating Rules of the Board of Directors (see Section 7.1.3.2 "Operating Rules of the Board of Directors").

Vice-Chairman of the Board of Directors

The Board of Directors appointed on February 21, 2013 Mr. Jean C. Monty as Vice-Chairman of the Board of Directors in order to assist the Chairman for certain matters, including representing the Group at high-level meetings on the American continent, pursuant to specific requests of the Board of Directors. This appointment was confirmed following the renewal of his appointment as Director at the Shareholders' Meeting of May 7, 2013, for a three-year period, that will expire at the end of the Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending December 31, 2015.

CEO

Following his appointment as CEO by the Board of Directors as of April 1, 2013, Mr. Michel Combes was appointed Director at the Shareholders' Meeting of May 7, 2013, for a three-year period, that will expire at the end of the Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending December 31, 2015.

The CEO has wide powers to act in all situations on behalf of the Company, within the limits of the corporate purpose and subject to any powers that are expressly granted by law to the shareholders and to the Board of Directors. The Operating Rules provide limitations to his powers for certain decisions which are subject to the prior approval of the Board of Directors, by reason of their purpose or the amount involved:

- the update of the Group's annual strategic plans, and any significant strategic operation not envisaged by these plans;
- the Group's annual budget and annual capital expenditure plan;
- acquisitions or divestitures in an amount higher than €300 million (enterprise value);
- capital expenditures in an amount higher than €300 million;
- offers and commercial contracts of strategic importance in an amount higher than €1 billion;
- any significant strategic alliances and industrial and financial cooperation agreements with annual projected revenues in excess of €200 million, in particular if they imply a significant shareholding by a third party in the capital of the Company;
- financial transactions having a significant impact on the accounts of the Group, in particular the issuance of debt securities in amounts greater than €400 million;
- amendments to the National Security Agreement ("NSA") between Alcatel, Lucent Technologies Inc. and certain United States Government parties.

Composition of the Board of Directors

The Board of Directors aims to combine a range of diverse skills capable of bringing to it an expertise in the Group's high-technology businesses but also a telecom expertise and knowledge of the various geographic markets, the business environment in which the Company operates, and sufficient financial expertise. These financial skills enable the Board of Directors to make informed and independent decisions with respect to the financial statements and compliance with accounting standards. Special attention is also paid to the quality and the complementary nature of the professional background of the Directors, both in terms of location and of the duties performed and their business sectors.

Selection of the Directors

The Corporate Governance and Nominating Committee provides the Board of Directors with an annual update on the selection of future Directors of the Company and the composition of the Board of Directors. The Committee conducted its own studies on potential candidates beginning in July 2014. With the assistance of an external advisor, it developed a short list of potential female candidates, who have a technology background and who are American citizens in order to enhance the diversity within the Board. The short-listed candidates were interviewed by the members of the Committee as well as by the Chairman of the Board of Directors and the CEO to evaluate their interest and their individual skills.

The Corporate Governance and Nominating Committee presented the result of its work at the meeting of the Board of Directors on February 5, 2015, proposing to submit the appointment of Mrs. Sylvia Summers for a period of three years to the approval of the shareholders at the next Shareholders' Meeting. Subject to the appointment of Mrs. Sylvia Summers at the Shareholders' Meeting of May 26, 2015, the number of women will increase from 3 to 4, that is, for a Board of Directors composed of 12 members, 33% of the members of the Board of Directors.

Renewal of the Directors

The Corporate Governance and Nominating Committee meets every year to review the situation of the Directors whose mandate is about to expire and proposes whether to renew certain Directors, taking into account various criteria (in particular, skills, effective contribution to the Board's work, availability and personal commitment) and the appointment of new Directors.

During fiscal year 2014, on the recommendation of the Corporate and Governance Committee, the Board of Directors proposed to submit to the shareholders at the Shareholders' Meeting that will be held on May 26, 2015, the renewal of the mandate as Directors of Messrs. Stuart E. Eizenstat, Louis R. Hughes and Olivier Piou for a three–year duration, that is, until the end of the Shareholders' Meeting that will be called to approve the financial statements for fiscal year ending December 31, 2017.

Representation of employees

In the absence of a Director representing the Company's employees ("*administrateur salarié*"), the representation of the employees at the Board of Directors is ensured by the two Board Observers. Alcatel Lucent does not fulfill the conditions of the French law of June 14, 2013, and is therefore not covered by the provisions requiring the nomination of a Director representing the Company's employees.

The two Board Observers ("Censeurs") are both employees of Alcatel Lucent, or of one of its affiliate, and members of the Alcatel-Lucent mutual fund (in French "*Fonds Commun de Placement*" or "FCP") (see Section 7.1.3.2 "Operating Rules of the Board of Directors"). The FCP owns Alcatel Lucent shares and the employees of Alcatel Lucent own a beneficial interest in this fund.

The mutual fund designates, among its members, a number of candidates representing twice the number of Board Observers seats to be filled in at the Board of Directors of the Company. This list is addressed to the Chairman of the Board of Directors and then, upon recommendation of the Corporate Governance and Nominating Committee, the Board of Directors submits to the Shareholders' Meeting the appointment of one or several Board Observers, as the case may be for a three-year mandate pursuant to Article 14 of the Bylaws.

Since Mr. Bertrand Lapraye's mandate expires at the end of the Shareholders' Meeting of May 26, 2015, the appointment of Mr. Laurent du Mouza, engineer, employee of Alcatel-Lucent Submarine Networks, will be proposed to the shareholders at this Shareholders' Meeting, for a three-year term, that is, until the end of the Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ended December 31, 2017.

Independence of the Directors

The independence criteria selected are based on both the recommendations of the AFEP-MEDEF Code and the requirements of the NYSE.

According to the AFEP-MEDEF Code, the majority of the members of the Board of Directors must be independent. According to the requirements of the NYSE and in compliance with the applicable provisions of the Sarbanes-Oxley Act, the Board of Directors of a U.S. listed company must be composed of a majority of independent members. The Board of Directors must determine whether the independence criteria are met.

Annual review for all the Directors

On March 13, 2015, the Board of Directors, based on the declarations and questionnaires completed by the Directors, carried out the annual assessment of the situation of each Director and of the potential relationships which might exist between them and the Alcatel Lucent Group. It assessed the situation on a case-by-case basis, in accordance with the independence criteria of the AFEP-MEDEF Code and the recommendations of the NYSE.

The Board of Directors relied upon the following AFEP-MEDEF Code independence criteria:

- not being an executive director of the company, or of the group of which the company is a part, or having any particular relations with its executive directors;
- not being an employee, executive director or director of the parent company or of a company of the group within the last five years;
- not being an executive director of a company in which the company holds a directorship, directly or indirectly, or in which an employee or an executive director of the company is a director;
- not being a customer, supplier, investment banker or commercial banker (a) that is material to the company or its

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group or (b) for which the company or its group represent a significant part of the business.

The Board of Directors noted that each Director (other than the CEO and the Chairman of the Board of Directors) fulfilled the criteria above, and that the Chairman of the Board of Directors is also independent under the AFEP-MEDEF Code (see the sub-section "Chairman of the Board of Directors" below).

In addition, the Board concluded that none of its Directors had close family ties with an Executive Director. The Board also noted that none of its Directors had been a Statutory Auditor of Alcatel Lucent within the last five years or has been a Director of the Company for over twelve years.

On the recommendation of the Corporate Governance and Nominating Committee, the Board of Directors concluded, based on the criteria of the AFEP-MEDEF Code, that Mrs. Carla Cico, Mrs. Kim Crawford Goodman and Mrs. Véronique Morali, as well as Messrs. Francesco Caio, Stuart E. Eizenstat, Louis R. Hughes, Jean C. Monty, Olivier Piou and Jean-Cyril Spinetta, do not have any relationship of any nature whatsoever with the Company, the Group or its Executive Directors and management that may affect their independent judgment and that therefore they are independent.

Consequently, 10 out of 11 members of our Board of Directors are independent Directors. In addition, in compliance with the legal requirements and Article 5 of the Board's Operating Rules, the Board of Directors has at least one independent Director - namely Mr. Jean C. Monty - with recognized financial and accounting expertise.

Chairman of the Board of Directors

On March 19, 2014, the Board of Directors examined the situation of Mr. Philippe Camus in light of the new provisions of the AFEP-MEDEF Code as revised in June 2013, which state that the Chairman of the Board of Directors, who is an Executive Director, may now be considered as an independent director subject to the satisfaction of the independence criteria provided by this Code.

The Board of Directors noted that the Chairman of the Board of Directors does not have any relationship of any kind whatsoever with the Company, the Alcatel Lucent Group or its management that may affect his independent judgment.

Therefore, Mr. Philippe Camus, who meets the criteria of the AFEP-MEDEF Code, is considered as an independent Director according to the criteria of the Code.

Directors appointed in 2014

On July 30, 2014, the Board of Directors concluded that Mrs. Véronique Morali and Mr. Francesco Caio, nominated Directors during the Shareholders' Meeting held on May 28, 2014, do not have any relationship of any kind whatsoever with the Company, the Alcatel Lucent Group or its management that may affect their respective judgment.

Concerning Mr. Francesco Caio, CEO of the Poste Italiane, the Board of Directors concluded, after reviewing all of the transactions between Alcatel Lucent and the Poste Italiane, that the current commercial relationship between them is not material, as defined by the AFEP-MEDEF Code.

The candidate to a Director position in 2015

On February 5, 2015, our Board of Directors decided to propose the appointment of Mrs Sylvia Summers for a period of three years at the next Shareholders' Meeting.

Mrs. Sylvia Summers is considered as independent, based on the information available to the Board of Directors. As a result, 11 out of 12 members would be independent at the end of the Shareholders' Meeting of May 26, 2015 based on the criteria of the AFEP-MEDEF Code.

Independence within the Committees

The Board of Directors determined that more than two-thirds of the Directors of the Audit and Finance Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Technology Committee are independent in accordance with the rules that it has adopted (See Section 7.1.2.1 "Principles of corporate governance," sub-section "Independence of the Directors"). The number of independent Directors within each Committee exceeds the recommendation of the AFEP-MEDEF Code.

Independence according to the NYSE Rules

Pursuant to the NYSE rules, the Chairman of the Board of Directors who is an Executive Director cannot be considered an independent Director. However, the NYSE rules authorize the Company to follow the rules of the AFEP-MEDEF Code, except with respect to compliance with the criteria regarding the independence of the members of the audit committee (see Section 7.1.4.1 "Audit and Finance Committee," subsection "Role").

The NYSE rules are more restrictive concerning the relationship with the statutory auditors of the company, since they apply not only to the concerned director but also to the immediate family members. As a consequence, Mr. Olivier Piou cannot be considered as independent under the NYSE rules since his brother is a partner at Deloitte & Associés, one of the Statutory Auditors of the Company, even if his brother is not involved with the Alcatel Lucent account.

Concerning Mr. Francesco Ciao, the current commercial relationship between Alcatel Lucent and the Poste Italiane is not material for purposes of the NYSE rules (since it does not represent in excess of 2% of the Poste Italiane's consolidated gross revenues), and consequently he is considered as independent under these rules.

The NYSE rules stipulate that U.S. listed companies must have an audit committee, a nominating/corporate governance committee and a compensation committee. Each committee must be composed solely of independent board members and must have a written charter addressing certain subjects specified in the NYSE rules.

In the case of Alcatel Lucent, the Audit and Finance Committee is composed solely of independent Directors and the Corporate Governance and Nominating Committee and the Compensation Committee is each composed of more than two-thirds independent Directors, and each of these three Committees has a charter which defines its powers and covers most of the subjects provided for in the NYSE rules.

Board of Directors evaluation

Pursuant to the AFEP-MEDEF Code and our Operating Rules, the Board of Directors' agenda calls for an annual discussion on its composition and organization. This translates into a self-assessment based on individual questionnaires, and, once every two years, into an evaluation performed with the support of an outside consultant.

The Board performed an annual assessment of its own work at the beginning of 2014, under the authority of our Corporate Governance and Nominating Committee with the support of an outside consultant. The consultant met with each Director, including the CEO, and with the CFO. The results of this assessment were examined by the Board of Directors at its meeting held on March 19, 2014.

The conclusions confirmed that the Board of Directors displays a satisfactory level of diversity and works coherently, with a high degree of commitment. The Board of Directors operates on the principle of independent thinking as well as of making the most of the high level of experience of its members. There is a strong cohesion of the members with the Chairman, who participates actively, challenging the participants judiciously, constructively and with tact. This creates a good environment for exchanging views and facilitates decision-making. The "Executive Sessions" are considered as very positive also and contribute highly to improving Board efficiency.

On the Chairman of the Board's initiative, the suggestions resulting from that evaluation were implemented in 2014, in the following manner:

- The establishment of an integration program for incoming members of the Board, coordinated by the Board Secretary with support from representatives of various Group divisions. The program comports several sessions, in particular, covering finance, technology and governance, allowing to benefit from information on the Group's organization and activities, the Company and its values and business model, as well as on the challenges and goals. Furthermore, an annual session dedicated to new technologies will supplement the information of all Board members.
- The design of an evaluation model for the CEO, based on 3 major pillars, that is, strategy, leadership and the implementation of The Shift Plan.
- The adoption of a structured annual timetable for Human Resources, covering important issues for the Group, such as key people and their succession plan, diversity, renewal and retention of talent. Additionally, joint sessions of the Compensation and Corporate Governance and Nominating Committees will be held on certain topics.
- Follow-up on the implementation of the decisions of Board, which means that every meeting of the Board begins systematically with a report of the Board Secretary on this point.

On February 5, 2015, pursuant to our Operating Rules, the Board of Directors met to discuss its functioning and to evaluate the results of the actions taken since the last self-evaluation concerning, in particular, the composition, the efficiency and the organization of the Board and of the Committees. The Board of Directors expressed a very favorable overall view, and noted significant progress since its last self-evaluation.

The Board of Directors benefits from a satisfactory level of diversity, skills and high-level of experience of its members. The environment favors constructive debates and communication, and the interactions between the Board and its Committees, its Chairman and the CEO are balanced. The Board of Directors remains highly involved in the Group's strategy, both in its development and in the follow-up of its implementation. This good understanding of the Group's strategy allows the Directors to act in the Group's interests.

As a result of this self-evaluation, the Board of Directors suggested certain improvements, such as a specific focus on the way the members of the Leadership team operate and how they manage their teams in terms of organization, resources, key processes and interfaces; an increased variety in the information made available to the Board of Directors, such as reports of industry analysts, and the organization of exchanges during dedicated sessions of the Board of Directors, between the Directors and the sector analysts, clients and significant shareholders, so that they can share their views on the Company and its positioning; and lastly, access of the Board of Directors to more specific information on certain activities of the Group depending on the Board's agenda.

Ethics

Each Director and Board Observer undertakes to comply with the rules of conduct set out in the Directors' Charter, in particular concerning the compliance with any applicable securities laws, as well as with the rules "Alcatel Lucent Insider Trading Policy," designed by Alcatel Lucent to prevent insider trading. This policy sets limited periods during which transactions involving the Company's shares are not authorized, the minimum number of shares that each Director must hold, and the obligation to notify the *Autorité des Marchés Financiers* (the French securities regulator) of any personal transactions involving Alcatel Lucent shares.

Absence of conflicts of interest

To the knowledge of the Board of Directors:

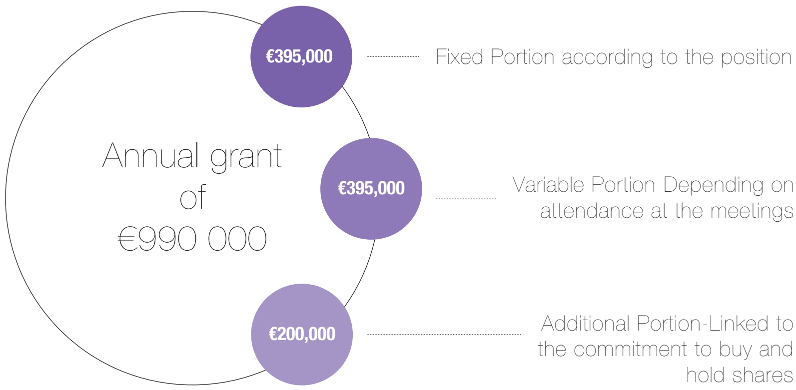
- None of the Directors have any potential conflicts of interest. In accordance with Article 3 of the Directors' Charter: *"a Director has the obligation to inform the Chairman of the Board of Directors of any situation potentially resulting for them in a conflict of interest and, if such conflict relates to a particular subject, they must refrain from participating in the vote of the corresponding resolution."*
- There is no family relationship between the members of our Board of Directors and our Company's senior management;
- There is no arrangement or agreement with a shareholder, client, supplier, or any third party pursuant to which a member of our Board of Directors or of our Management Committee was appointed in such capacity or as CEO;
- No Director has been convicted of fraud during the last five years;
- No Director has been charged and/or received an official public sanction pronounced by a statutory or regulatory authority; or has been banned by a court from holding office as a member of an administrative, management or supervisory body of an issuer, or from being involved in the management or conduct of the business of an issuer in the last five years;
- No Director has been an executive director of a company involved in a bankruptcy, court escrow or liquidation in the past five years.

7.1.2.2 Attendance fees

The Chairman of the Board of Directors and the CEO do not receive any directors' fees. The other Directors receive directors' fees consisting of (i) a fixed portion, for performing their duties on the Board of Directors and, where relevant, on one of the Boards' Committees, and (ii) a variable portion, for their attendance at the various meetings, in compliance with the AFEP-MEDEF Code. Additional directors' fees are equally allocated among the Directors, subject to the investment in Alcatel Lucent shares of the amount granted as additional fees after taxes, and to the holding of the acquired shares for the duration of the term of office as Director.

Directors' fees are paid each semester. The additional attendance fees tied to a commitment to acquire and hold shares in the Company are paid at the time of the second payment of the attendance fees.

Breakdown of attendance fees



The overall amount of Directors' fees paid to Directors for the fiscal year 2014 was €990,000, that is, an average of €110,000 per Director:

Fixed portion	€395,000
Chairman of the Audit and Finance Committee	*€25,000*
Chairman of the Compensation Committee, of the Corporate Governance and Nominating Committee, and of the Technology Committee, and member of the Audit and Finance Committee	*€15,000*
Committee member (other than member of the Audit and Finance Committee) who is a member of the Board of Directors	*€10,000*
Allocated equally among the directors	*balance*
Variable portion allocated according to attendance at meetings	€395,000
Additional portion	€200,000
TOTAL	**€990,000**

The total fees paid to the Board Observers for fiscal year 2014 were €100,000.

In application of the rules provided above, the Directors' fees and other compensation received by each Director and by each Board Observer during fiscal year 2014, and their total compensation during fiscal year 2014 were as follows:

In Euro	2013	2014		
Directors	Total Gross	Total Gross	Amount received as member of a Committee	Amount received as Chairman of a Committee
Mr. Bernard	121,044	44,238	7,500	7,500
Mr. Caio	N/A	52,789	5,000	
Mrs. Cico	87,254	86,373	10,000	
Mr. Eizenstat	112,746	110,426	20,000	
Mrs. Goodman	87,722	97,905	17,500	
Mr. Hughes	117,638	125,426	20,000	15,000
Lady Jay	110,575	44,576	10,000	
Mr. Monty	110,935	109,042	5,000	25,000
Mrs. Morali	N/A	52,789	5,000	
Mr. Piou	120,575	131,810	30,000	
Mr. Spinetta	121,511	134,626	15,000	15,000
TOTAL	**990,000**	**990,000**	**145,000**	**70,000**
Board Observers				
Mr. Lapraye	50,735	50,000		
Mr. Le Dissez	29,780	50,000		
Mr. Desbois	19,485	N/A		

The compensation specified in the table above is the only compensation paid to the Directors by Alcatel Lucent and its subsidiaries during fiscal years 2013 and 2014, except for the amounts paid to the Executive Directors described in Section 8.2 "Status of the Executive Directors and Officers." No Director, except the Chairman of the Board of Directors, holds any stock options, performance shares or other securities giving access to the capital of the Company.

In addition, there are no commitments towards the Directors, except for the Chairman of the Board of Directors and the CEO, that constitute compensation, allowances or benefits due or likely to be due as a result of the termination or change of duties.

The Directors also benefit from the Group's "Directors and Officers" civil liability insurance that covers all the executive officers and members of boards of directors of the Group.

7.1.2.3 AFEP-MEDEF Code and NYSE Rules

Alcatel Lucent is compliant with the AFEP-MEDEF Code (see MEDEF website: www.medef.fr). At its meetings on October 29 and December 11, 2008, the Board of Directors confirmed, and then published its adherence to these principles, which govern, among other things, the operating rules of the Board of Directors and its Committees, as described in the Board of Directors' Operating Rules.

Our corporate governance policy reflects the principles of the AFEP-MEDEF Code to the extent that those principles are in line with the organization, the situation and the means of the Company. Such is not the case on the two following points:

AFEP-MEDEF Code	Alcatel Lucent's position
Reasonable requirements of seniority within the company, for at least two years, to benefit from payments from a pension plan with defined benefits	The pension plan does not include any provision regarding the seniority but the rights vest gradually by year of seniority (with respect to Mr. Michel Combes, the reference period for the calculation of the pension's benefit is the total duration of one or more terms of office of Mr. Michel Combes as Chief Executive Officer) and represent, each year, only a limited percentage of his compensation (approximately 1% per year for a compensation of €1.2 million per year; beyond this amount the potential pension would amount to approximately 1.2%).

AFEP-MEDEF Code	Alcatel Lucent's position
Criterion according to which the benefit of an additional pension scheme shall be conditioned to the completion of the career of the beneficiary in the company	In line with what is provided for the other beneficiaries of the additional pension scheme, the benefit of an additional pension scheme for the Chief Executive Officer is not subject to his presence in the Company. However, the Board of Directors has determined both quantitative and qualitative performance criteria to which the rights of the Chief Executive Officer under the pension plan at the end of his position are conditioned. The benefit of this pension commitment is based on three quantitative performance criteria up to 75% (individually 25%) and two qualitative criteria up to 25% (individually 12.5%). Over the reference period, the global performance rate will be calculated based on the achievement level of the criteria in order to determine the rights of the Chief Executive Officer under this pension commitment (see Section 8.2.3 "Chief Executive Officer").

Since our securities are listed on the New York Stock Exchange ("NYSE"), we make every effort to reconcile the principles of the AFEP-MEDEF Code with the NYSE rules on corporate governance that are applicable to us, as well as with the provisions of the U.S. Sarbanes-Oxley Act, which came into force in 2002. Where relevant, we specify throughout Chapter 7 the main ways in which our corporate governance practices comply with, or differ from, these provisions. The two corporate governance criteria of the AFEP-MEDEF Code mentioned above are not included in the corporate governance requirements of the NYSE, or in the requirements of any other U.S. regulation applicable to Alcatel Lucent.

7.1.3 Powers and activity of the Board of Directors

7.1.3.1 The Board of Directors

In addition to matters related to its legal or regulatory function, the Board of Directors regularly decides upon the Group's strategic orientations and the main decisions affecting its activities. It also analyzes the outlook resulting from the research and development activities of Alcatel Lucent and gives input on the main technology options chosen. Furthermore, the Board of Directors monitors the economic and financial management of the Group and authorizes the financial transactions which have a significant impact on its accounts.

The Operating Rules of the Board of Directors specify the conditions according to which the Directors exercise their functions and, in particular, the thresholds above which the decisions of the CEO are subject to the prior approval of the Board of Directors.

7.1.3.2 Operating rules of the Board of Directors

The Directors of Alcatel Lucent (hereafter the "Company") have enacted the following which constitutes the internal regulation of the Board of Directors, in order to define its operating procedures and its role according to the rules of corporate governance in force.

These rules, approved by the Board of Directors are primarily intended to:

- define the role of the Board vis-à-vis the shareholders on the one hand, and the Chief Executive Officer ("*Directeur Général*") on the other hand, by clarifying the existing provisions of the law and of the Company's by-laws and the position of its members;
- maximize the efficiency of meetings and debates, in particular by specifying the role of the Chairman, and develop the proper procedures of the bodies that oversee the administration of the Company, in the spirit of the Company's corporate governance policy.

These rules are purely internal and are not intended to be a substitute for the applicable provisions of the law and the Company's bylaws, but, rather, are intended to implement the bylaws in a practical manner, and consequently may not be held against the Company, third parties or the shareholders.

These rules will be disclosed to the shareholders as part of the report of the Board at the Shareholders' Meeting.
The following is a full transcription of the Operating Rules of our Board of Directors:

Section I The Board's role

Article 1 Deliberations of the Board

In addition to matters related to its legal or regulatory function, the Board shall regularly decide upon, among other things, the group's strategic orientations and the main decisions affecting its activities. This relates in particular to the projects of important investments of organic growth and the operations of internal reorganizations, major acquisitions and divestitures of shares and assets, transactions or commitments that may significantly affect the financial results of the group or considerably modify the structure of its balance sheet and the strategic alliances and financial cooperation agreements.

Article 2 Decisions subjected to the prior approval of the Board

The Chief Executive Officer must submit to the prior approval of the Board the following decisions:

- the update of the Group's annual strategic plans, and any significant strategic operation not envisaged by these plans;
- the Group's annual budget and annual capital expenditure plan;
- acquisitions or divestitures in an amount higher than 300 million euro (enterprise value);
- capital expenditures in an amount higher than 300 million euro;
- offers and commercial contracts of strategic importance in an amount higher than 1 billion euros;
- any significant strategic alliances and industrial and financial cooperation agreements with annual projected revenues in excess of 200 million euro, in particular if they imply a significant shareholding by a third party in the capital of the Company;
- financial transactions having a significant impact on the accounts of the group, in particular the issuance of debt securities in amounts greater than 400 million euro,
- amendments to the National Security Agreement ("NSA") between Alcatel, Lucent Technologies, Inc. and certain United States Government parties.

Article 3 Information of the Board

The Board of Directors shall be regularly informed, either by its Chairman or through its committees, of any significant occurrence in the Company's operations.

The Board is also entitled at all times, including between meetings focused on the review of the financial statements, to become acquainted with any significant change affecting the Company's financial condition, cash position and commitments.

Board materials should be received and at the disposal of the Board members before each meeting and no later than the Friday (COB) preceding the Board meeting.

The management should give a regular read-out to the Board on execution of previous Board decisions.

Section II The Members

Article 4 Independence

The Board of Directors shall define the criteria that a Director must meet in order to be deemed "independent", this definition shall be in accordance with the principles of corporate governance applicable to the Company. The Board of Directors shall ensure that the proportion of "independent" directors is at all times greater than half the members of the Board and shall take action as soon as possible to replace Directors, if necessary.

By definition, an "independent" director has no direct or indirect relationships of any nature whatsoever with the Company, its Group or its management of a nature that could compromise the free exercise of his or her judgment.

Article 5 Expertise

Board members will be selected so as to bring a diversity of competencies, especially with respect to technology, finance, human resources, the emerging markets, as well as a connection with academia and the government agencies community (in view of the Company's highly classified work). At least one of the "independent" members of the Board of Directors shall have financial expertise.

The members of the Board will participate in training programs regarding the specificities of the Company, its activities and its industry sector that may be arranged by the Company from time to time.

An annual briefing on new technologies is included in the agenda of the Board of Directors.

An induction program is presented to new Board members with an emphasis on finance, technology and governance.

Article 6 Other Directorships

In order for the Directors to have and dedicate the time and attention necessary to carry out their responsibilities, the Board of Directors shall ensure that none of its members violates the legal restrictions regarding the holding of multiple offices. A non-executive Director should not hold more than four other directorships in listed corporations, including foreign corporations, not affiliated with his or her group.

The Director should keep the Board informed of directorships held in other companies, including his/her participation on committees of the Board of these companies, both in France and abroad.

By exception, an executive director should not hold more than 2 other directorships in listed corporations not affiliated with the Group. He/she must also seek the opinion of the Board of Directors, which is based on a recommendation of the Corporate Governance and Nominating Committee, before accepting a new directorship in a listed corporation.

Article 7 Compensation

The Directors will receive attendance fees. The annual amount to be received is determined by the shareholders' meeting. This amount comprises the following components:

(i) Fixed element

The first portion will be a fixed amount and will be divided according to the following rules:

- the chairman of the Audit & Finance Committee will receive an annual amount of €25,000;
- each other member of the Audit & Finance Committee will receive an annual amount of €15,000;
- the chairman of each of the other three committees will receive an annual amount of €15,000;
- each other member of the other three committees will receive an annual amount of €10,000; and
- the remainder of this first portion will be divided equally among the Directors.

(ii) Variable element

The second portion is a variable amount and will be divided among the Directors in accordance with their attendance at Board meetings and at any meetings of the committees of which they are member.

(iii) Attendance fees tied to a commitment to acquire and hold Company shares

The amount of the additional element is to be divided equally among the Directors and payment is tied to a commitment by each director to acquire and retain shares in the Company.

Each Director shall use the amount received, after taxes calculated on a flat rate of a 40%, to acquire shares in the Company and shall hold the same throughout the term of office of the Director with the Company.

The acquisition of the shares must be accomplished as soon as possible following each payment, subject to the rules of conduct regarding insider trading prevention.

The shares acquired shall be held in a separate account, registered in the name of the Director.

The Secretary shall receive from the holder of the Company's registered securities a copy of each director's *avis d'opéré* which indicates the conditions of the execution of the order and the payment modalities.

A copy of the declaration of the share transaction is to be sent to the French Financial Market Authority ("AMF"), within the prescribed statutory period. The Secretary then puts said declaration on the Company's website.

Attendance fees will be paid in two installments, one after the annual shareholders meeting and the second at the end of the year.

The attendance fees tied to a commitment to acquire and hold shares in the Company shall be paid at the same time as the payment of the second installment of attendance fees.

The Chairman, the Chief Executive Officer and any Directors who are Executive Officers of the Company will not receive any attendance fees.

Board observers

The Board observers will receive a compensation as determined by the annual shareholders meeting, to be divided between them and paid according to the same rules as applicable to the Directors' fees.

Section III The Chairman

Article 8 Role of the Chairman and Vice Chairman

The Chairman of the Board (hereafter "the Chairman") shall prepare the agenda and the Board meeting calendar, request any document and/or information in order to prepare the Board meetings, organize and manage the tasks of the Board and announce the outcome thereof at the General Shareholders' meeting. He shall watch over the correct operations of the corporate bodies of the Company and especially those of the Board's Committees.

He shall ensure that the Directors are able to perform their assignments, in particular those that stem from the committees to which they belong.

He shall take care that the formulation and implementation of the principles of the corporate governance of Company are of the highest standard.

The Chairman is the only person who can act and speak on behalf of the Board of Directors.

With the approval of the Chief Executive Officer, he may represent the group in high level relationships, in particular with the authorities, in national and international arenas.

The Chairman may be assisted by a Vice Chairman of the Board of Directors, who can exercise the prerogatives stated in this article, within the framework of the missions that may be entrusted to him by the Board of Directors.

Article 9 Information of the Chairman and Vice Chairman – Office of the Chairman

The Chairman shall be regularly informed by the Chief Executive Officer of the significant events and positions regarding the activities of the Group; he shall receive all useful information for the performance of the Board's tasks and those necessary for the establishment of the internal audit's report.

The Chairman may meet with the external auditors.

The Chairman may attend as advisor the meetings of the Committees of the Board in which he is not member, and may seek their advice on any question that falls within their jurisdiction.

The General Counsel, in his Board Secretary mission, will report to the Chairman. He or she will assist the Chairman in organizing board meetings, shareholders' meetings and discharging any other duties associated with governance items linked to the nationality of the Company. The Secretary and the Deputy Secretary to the Board permanently attend the Board meetings.

The Vice Chairman of the Board of Directors can exercise the prerogatives stated in this article, within the framework of the missions that may be entrusted to him by the Board of Directors.

Section IV Operating procedures of the Board

Article 10 Meetings

The Board of Directors shall meet on notice of the Chairman, at least once during each quarter, at the registered office of the Company or at any other place, in France or abroad, as shall be set forth in the applicable notice of meeting, in order to consider collectively the matters that are submitted to it.

In principle, there will be six main board meetings, four of them primarily dedicated to the review of financial statements, one to strategy matters and one to the yearly budget. On a regular basis, the Board will meet in "executive sessions" attended by non-executive Directors only.

The Board Observers are convened and participate on a consultative basis to the meetings of the Board of Directors as well as of the Committees.

Members of the management can participate, if invited by the CEO, to the Board meetings except during the session dedicated to the reports of the Chairman of the Corporate Governance and Nominating Committee and of the Chairman of the Compensation Committee.

Article 11 Participation

The Directors may participate in the meetings of the Board by means of telecommunication as authorized by the articles of association and by-laws. In such event, they will be considered to be present for the purpose of calculating the applicable quorum and majority requirements except with respect to votes regarding the Company's statutory financial statements, the yearly consolidated financial statements and the annual report.

As prescribed by the applicable legal requirements, board meetings that are held by video-conference or other telecommunication media must be carried through technical means that ensure the proper identification of the parties, the confidentiality of the discussions and the real-time effective participation of all the Directors present at any such meetings of the Board, and the transmission of the discussions shall be done in a continuous manner.

The secretary of the Board of Directors shall initial the attendance sheet on behalf of the directors who attend meetings of the Board via video-conference or other telecommunication media (as well as for the Directors for whom they act as proxy).

Article 12 Annual evaluations

The Board shall meet once a year to discuss its operating procedures, after each Board member having answered an evaluation questionnaire. It shall also meet once a year to consider the performance of the Executive Officers of the Company, and no Director who are either officer or employee of the Company shall attend such meetings.

To this effect, the Chairman shall report back to the Board on the CEO annual evaluation according to a model previously determined.

The Board of Directors may, at any time, and at least once every two years, engage an outside consultant to evaluate its performance.

The Board of Directors will be presented with an annual evaluation of the Leadership team members including as to their succession and compensation.

Article 13 Expenses

The members of the Board shall be reimbursed, upon presentation of receipts signed by the Chief Financial Officer for travel expenses as well as for other expenses incurred by them in the interests of the Company.

Section V Information of the board

Article 14 The Committees

In the course of carrying out its various responsibilities, the Board of Directors may create specialized Committees, composed of directors appointed by the Board, that review matters within the scope of the Board's responsibilities and submit to the Board their opinions and proposals, in accordance with the internal rules governing such committees. The Board of Directors shall have the following standing committees: the Corporate Governance and Nominating Committee, the Compensation Committee, the Audit and Finance Committee and the Technology Committee.

Each committee shall have no less than three Directors, and shall be chaired by such Director among the members of the committee as shall be appointed by the Board of Directors.

Each committee shall submit reports regarding the matters reviewed by it to the Board of Directors, which is the only body that can make any decision regarding such matters.

The Chairman and the Chief Executive Officer may attend as advisors the meetings of the committees of the Board in which they are not members (except meetings of the Committees dealing with their personal situations).

The meetings of the Committees are open to all Directors who are not members of the Committees subject to informing the Chairman of each Committee beforehand.

Article 15 Right to information from the Executive Officers

In order to efficiently oversee the management of the Company, the members of the Board may, through the Chairman or after having informed him, request the opinion of the executive officers of the Group on any matter they deem appropriate. They may, under the same conditions, meet such officers without the presence of any directors who are Executive Officers.

The members of the Board shall have the right to require the Chief Executive Officer, through the Chairman or after having informed him, to provide them, within a reasonable period of time, with such information as shall be necessary to permit such members to comply with their assignment.

In order to assist them in the fulfillment of their duties, the members of the Board shall receive all relevant information regarding the Company, including press articles and reports by financial analysts.

Article 16 Transparency

The Board of Directors shall ensure the openness of its activities to the shareholders of the Company by presenting each year, in the annual report, a statement regarding its activities during the fiscal year just ended, and regarding the operation of the Board and its committees.

Section VI Role and actions of the committees

Article 17 Corporate Governance and Nominating Committee

The mission of the Corporate Governance and Nominating Committee shall be to review matters relating to the composition, organization and operation of the Board of Directors and its committees, to identify and make proposals to the Board regarding individuals qualified to serve as directors of the Company and on committees of the Board of Directors; to develop and recommend to the Board of Directors a set of corporate governance principles applicable to the Company; and to oversee the evaluations of the Board of Directors and committees thereof.

The Corporate Governance and Nominating Committee will also review succession plans for the Chief Executive Officer as well as for members of the Leadership team.

Article 18 Compensation Committee

The mission of the Compensation Committee shall be to review matters relating to and make proposals to the Board regarding the compensation of the Directors, the executive Directors, that is the Chairman, the Vice Chairman and the Chief Executive, to consider the long-term compensation mechanisms and specifically the grants of performance shares and stock-options, and to examine any proposal to increase the share capital of the Company by an offering made exclusively to its employees.

The Chairman and the majority of the members of the Compensation Committee are independent.

Article 19 Audit and Finance Committee

The Audit and Finance Committee shall review the accounts to be submitted to the Board, the accounting norms used by the Company and shall ensure the proper and consistent use of accounting methods. It shall verify the internal control mechanisms and shall examine significant risks including off-balance sheet obligations as well as any other matter of a financial or accounting nature that shall be submitted to the committee by the Chief Executive Officer or the Chief Financial Officer of the Company.

The Audit and Finance Committee shall carry out the procedure for the selection of the Company's auditors and any reappointment of such auditors, and shall decide what engagements may be undertaken by the auditors in addition to auditing the accounts of the Company.

The audit and finance committee shall examine the Company's debt and equity capitalization and any significant changes related to it.

Article 20 Technology Committee

The mission of the Technology Committee is to review, on behalf of the Board, the major technological options that are the basis of R&D work and the launching of new products. The Technology Committee will be kept informed of the development of Alcatel-Lucent's scientific and technical co-operation projects with the academic and research environment.

7.1.3.3 Organization of Board meetings

Pursuant to the Operating Rules that govern the operation of our Board of Directors, the Board of Directors meets at least once every quarter. However, in practice, the Board of Directors meets more frequently, illustrating the commitment of its Chairman and the Directors to the Company.

To facilitate attendance, the Directors may attend the meetings by video conference or other means of telecommunication, and in such event, they are taken into account in the calculation of the quorum and majority, except where otherwise provided by law (see Article 11 of the Operating Rules of the Board of Directors in Section 7.1.3.2).

If a Director considers that he is actually or potentially in a conflict of interest situation, he must notify the Chairman of the Board and refrain from voting the corresponding resolution.

Attendance at Board and Committee Meetings in 2014

Meetings of the Board of Directors and Committees in 2014	Board	Audit and Finance Committee	Corporate Gouvernance and Nominating Committee	Compensation Committee	Technology Committee
Mr. Bernard (1)	3	2	2		
Mr. Caio (2)	5				3
Mr. Camus	10				
Mrs. Cico	10				5
Mr. Combes	10				
Mr. Eizenstat	10		5	6	
Mrs. Goodman	10	2			5
Mr. Hughes	8	5	3		5
Lady Jay (1)	4		2	3	
Mr. Monty	10	4	2		
Mrs. Morali (2)	5			3	
Mr. Piou	10		5	6	5
Mr. Spinetta	10	5	3	6	
Mr. Lapraye	10	5	5	6	4
Mr. Le Dissez	10	5	5	6	5
TOTAL NUMBERS OF MEETINGS:	10	5	5	6	5
OVERALL ATTENDANCE RATE	96%	90%	96%	100%	100%

(1) Mr. Daniel Bernard and Lady Sylvia Jay were members of the Board of Directors until the Shareholders' Meeting of May 28, 2014, date on which the positions they held in the Committees of which they were members also ended.

(2) Mr. Francesco Caio and Mrs. Véronique Morali are members of the Board of Directors since the Shareholders' Meeting of May 28, 2014.

Board meetings are usually held at the Group's head office in Boulogne-Billancourt, or in the United States, in Murray Hill (New Jersey), at the head office of Alcatel-Lucent USA Inc. However, meetings can also be held regularly at other sites of the Group with a view of facilitating the dialog between the executives, employees and Directors and enabling the Directors to better understand the wide range of business activities of the Group, as well as the specific challenges the Group is facing in its main markets.

For the same purpose, the Directors may also seek the opinion of the senior management within the Group on any subject they deem appropriate, and meet with them in an informal way at the meetings held most of the time before the Board of Directors meetings. The Directors also regularly meet with the employees of the Group, in particular with those with strong career potential. To assist them in the performance of their duties, the members of the Board receive all relevant information regarding the Company, in particular, the financial analysis reports. This information is made available to the Directors via a secured Intranet site dedicated to the Board members.

In addition, the meetings of the Board of Directors are usually preceded by a meeting of one or more of the four specialized Committees. In particular, the quarterly Board meetings that prepare the year-end, half-year and quarterly financial statements are systematically preceded by a review of the financial statements by the Audit and Finance Committee.

The Audit and Finance Committee may invite to its meetings the Chief Financial Officer of the Group and members of his team, as well as the members of the Disclosure Committee, in or out of the presence of the Chairman of the Board of Directors or of the executives of the Group. It may also convene, at the end of each meeting and separately, the head of internal audit and the Statutory Auditors, without the attendance of the executives of the Group.

Due to scheduling issues and the distant location of certain Directors, the Board of Directors tries to arrange for the Audit and Finance Committee meetings and the Board of Directors meetings to take place within two consecutive days, while making sure that the Directors have sufficient time to adequately review the documents and information.

In compliance with the AFEP-MEDEF Code, at the end of most of the Board of Directors' meetings, the Chairman leads a discussion among the Directors without the attendance of the CEO and of executives and employees invited to attend the meetings.

At the end of most of the Board of Directors' meetings, the Chairman leads a discussion without the attendance of the CEO and of executives and employees invited to attend the meetings

In this respect, we also comply with the NYSE rules, which stipulate that the Board of Directors must meet regularly without its executive members. In particular, Article 12 of the Operating Rules provides that the Board of Directors shall meet without the Directors who are also executives or employees of the Company in order to assess the performance of the Executive Directors.

Participation in the Committee meetings

The Chairman of the Board of Directors, the CEO and the Directors who are not members of a Committee may attend the meetings with a consultative vote, except for the meetings of the Compensation Committee and the Corporate Governance and Nominating Committee during which their personal situation is being discussed.

Participation of the Board Observers

In accordance with Article 14 of the Alcatel Lucent bylaws, the Board Observers are convened to the meetings of the Board of Directors and they participate on a consultative basis including the meetings of the Corporate Governance and Nominating Committee and of the Compensation Committee. Upon the recommendations of the Corporate Governance and Nominating Committee, the Board of Directors extended the participation of the Board Observers to the meetings of all the Committees. The Board Observers already participated in the meetings of the Audit and Finance Committee and of the Technology Committee. This participation is in line with the new provisions of the AFEP-MEDEF Code which recommend that a director representing the employees participate in the meetings of the compensation committee.

7.1.3.4 Activity of the Board of Directors in 2014 and early 2015

The Board of Directors met 10 times during fiscal year 2014, with an average attendance rate of 96 % and twice in early 2015, with an attendance rate of 96%. The main topics addressed by the Board of Directors were as follows:

Group strategy and transformation of the Group

The Board of Directors examined the implementation of previously defined strategic guidelines, and the orientations underlying The Shift Plan for 2014 and 2015. Thus, it made sure of the continuation of the transformation of the Group in accordance with The Shift Plan announced on June 19, 2013 and reviewed the main measures taken to ensure the successful adaptation and streamlining of the Group's structures, procedures, and production resources.

Furthermore, it monitored the sale of our subsidiary LGS Innovations LLC, as well as the sale of Alcatel-Lucent Enterprise to China Huaxin (see Section 4.2 "History and Development"). It also approved clear operational and financial targets, both in terms of results and cash flow generation, in the context of the refocusing implemented by the Leadership team (See Section 7.1.1.3 "The Leadership team and the Management Committee").

Moreover, the Board was regularly informed about the significant contracts concerning the Group, as well as on the current transactions.

Financial statements and financial position

The Board of Directors reviewed and approved the Alcatel Lucent and consolidated financial statements for the fiscal year 2013, which were then approved at the Shareholders' Meeting of May 28, 2014. It also approved the Group's budget for 2015. Moreover, at the Board meeting of February 5, 2015, in accordance with the Audit and Finance Committee's recommendations and in the presence of the Statutory Auditors, the Board of Directors approved the financial and consolidated financial statements for the fiscal year 2014 which will be submitted to the shareholders for approval at the next Shareholders' Meeting, scheduled for May 26, 2015. The Board of Directors proposed to allocate the results to the retained earnings account and to maintain the suspension of the distribution of dividends for the fiscal year ended December 31, 2014.

Moreover, after having been informed thereon by the Audit and Finance Committee, the Board of Directors reviewed the cash flow, pension fund management, and the Group's overall financial situation, as well as the contemplated evolution of the situation.

It examined the risks that the Group is facing and the measures implemented under the Enterprise Risk Management program, and also approved the Chairman's corporate governance and internal control and risk management reports produced for the fiscal years 2013 and 2014.

On June 1, 2014, the Board of Directors approved the issuance of bonds convertible and/or exchangeable for new or existing shares in two tranches (OCEANE 2019 and 2020).

This financial transaction, which was launched on the same date by the CEO, was part of The Shift Plan and aimed at allowing for the repayment of all or a portion of the Senior Secured Credit Facility in an initial principal amount of US$1,750 million entered into by Alcatel-Lucent USA Inc. on January 30, 2013, and secured by various first-rank pledges. On August 20, 2014, Alcatel Lucent announced the anticipated repayment of the remaining U.S.$1,724 million outstanding of the Senior Secured Credit Facility and the release of all of the related security.

Corporate governance

The Board of Directors continued to oversee the functioning of the Company's management bodies and to ensure that the Company complies with best corporate governance practices. In 2014, it proposed to the shareholders the nomination of two new Directors: Mrs. Véronique Morali and Mr. Francesco Caio. In 2015, the Board will submit the nomination of Mrs. Sylvia Summers as a new Director to a vote of the shareholders during the Shareholders' Meeting of May 26, 2015, and the renewal of the terms of office of three Directors (see Section 7.1.2.1 "Principles of corporate governance").

Pursuant to our Operating Rules, the Board of Directors performed an annual evaluation of its operation at the beginning of 2015, under the supervision of the Corporate Governance and Nominating Committee. The results of this evaluation were examined by the Board of March 13, 2015 (see Section 7.1.2.1 "Principles of corporate governance"). The Board also assessed its operation based on a study carried out by an external consultant during 2014 (see Section 7.1.2.1 "Principles of corporate governance").

The Board also reviewed, in compliance with the Operating Rules, the independence of the Directors in light of the AFEP-MEDEF Code and the NYSE rules (see Section 7.1.2.1 "Principles of corporate governance").

The Board of Directors also made sure that shareholders were appropriately informed through a detailed presentation by the CEO and by the Chairman of the Board of Directors on the Group's situation and its governance during the Shareholders' Meeting on May 28, 2014. The Board of Directors also made sure that the investors and the public receive appropriate information pursuant to the provisions of the French and U.S. stock exchange regulations.

As in the previous years, the Board of Directors endeavored to ensure that the Company complies with the strictest principles regarding ethics and professional conduct and abides by the rules and regulations applicable in the countries in which it operates. At the CEO's initiative, like last year, all the employees throughout the Group were asked to acknowledge individually the principles set forth in the Group's Code of Conduct. In addition, the Board of Directors heard the Monitor appointed in agreement with the French and U.S. authorities in the context of the settlement agreements entered into by our Company with respect to the U.S. anti-corruption legislation (See Section 4.2 "History and Development") who provided an update of his mission to the Board of Directors with respect to the year 2014. The Monitor met individually with most of the Directors, as well as with the CEO and many other executives of the Group on multiple occasions. He delivered his year 3 report in early 2014, which contained a number of recommendations to improve the Group's anti-corruption policies and procedures.

The Leadership team and the Monitor had regular exchanges throughout the year 2014 regarding the implementation of his recommendations and the positive progress made by the Company. On December 8, 2014, the Monitor submitted his final report and certified that Alcatel-Lucent's compliance program, including its specific policies and procedures, is reasonably designed and implemented to prevent and detect violations of anti-corruption laws, as defined in by the deferred prosecution agreement ("DPA") signed by Alcatel Lucent with the U.S. Department of Justice ("DOJ") (see Section 3.2 "Legal Risks"). Following receipt of the Monitor's final report, the DOJ filed a motion to dismiss with prejudice the Foreign Corrupt Practice Act charges underlying the DPA, which the court granted on February 9, 2015.

Human resources and compensation policy

The Board of Directors was regularly informed of the main orientations of the Group's policy regarding human resources and compensation. In particular, it approved the performance criteria relating to the determination of the variable compensation of employees and executives, and reviewed the global amounts paid as a result.

Also, the Board of Directors determined the performance reviews for the employees and Executive Directors performance share plans and for the stock option plans, and set the Group's performance criteria and the targets related to the performance criteria (see Chapter 8 "Compensation and long term incentives"). In the context of the new authorization granted by the Shareholders' Meeting of May 28, 2014, in order to grant performance shares, the Board of Directors decided, during its meeting of September 15, 2014, to create a performance share plan (see Section "8.1.2 Performance shares").

Moreover, the Board of Directors determined the components of the compensation of Mr. Michel Combes as CEO. It also carried out a performance review of the Performance Units granted in 2013 and 2014 (see Chapter 8 "Compensation and long term incentives"). With respect to the compensation of the Chairman of the Board of Directors, the Board decided to re-examine all of the components of his remuneration, which had remained unchanged since he took office on October 1, 2008. The Board of Directors consequently set his compensation for the fiscal years 2014 and 2015.

In addition, the Board discussed the policy regarding equal opportunity and compensation for men and women.

7.1.4 Powers and activity of the Board of Directors' Committees

The Board of Directors has four specialized Committees: the Audit and Finance Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Technology Committee. Each Committee has its own operating rules approved by the Board. Each Committee reports to the Board of Directors, which has sole authority to take decisions concerning the subjects presented to it.

7.1.4.1 Audit and Finance Committee

The Audit and Finance Committee met five times during fiscal year 2014, with an average attendance rate of 90%, and twice in early 2015, with an attendance rate of 100%.

Members

This Committee comprises no less than four members, at least one of whom must have recognized financial or accounting expertise.

Beyond the requirements of the AFEP-MEDEF Code, the Committee's operating rules provide that all the Directors who serve on the Committee must be "independent" and that the Committee may not include any executive director (in French, "*mandataire social*"). Similarly, Directors who hold other executive positions within the Company may not be members of this Committee.

This Committee is comprised of Mr. Jean C. Monty, Mrs. Kim Crawford Goodman (since July 30, 2014), Mr. Louis R. Hughes and Mr. Jean-Cyril Spinetta. All members are independent according to the criteria retained by the Board of Directors, which are based on both the recommendations of the AFEP-MEDEF Code and the requirements of the NYSE (See Section 7.1.2 "Principles of organization of our Company's Management"). Mr. Daniel Bernard was also part of this Committee until the Shareholders' Meeting of May 28, 2014. Mr. Gilles Le Dissez and Mr. Bertrand Lapraye, Board Observers, also participate in the works of the Committee. On March 13, 2015, the Board of Directors confirmed Mr. Jean C. Monty as the financial expert of the Audit and Finance Committee.

Role

The main areas of activity of the Committee relate to:

- the financial statements,
- the internal control and risk management,
- the financial situation, as well as the relations with our Statutory Auditors.

It keeps the Board of Directors apprised of the performance of its duties and informs it promptly of any issue it may encounter.

The Audit and Finance Committee's role and method of operation meet the requirements of Article L. 823-19 of the French Commercial Code as well as the best practices recommended by various French reports on corporate governance.

The NYSE rules contain detailed requirements with respect to the composition and the operation of the audit committees of U.S. listed companies. For foreign issuers, these requirements are limited to the compliance with the rules relating to audit committees of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Since July 31, 2005, foreign private issuers are required to have an audit committee that satisfies the requirements of Rule 10A-3 of the Exchange Act.

Pursuant to Rule 10A-3, each member of the audit committee must be independent in accordance with the SEC criteria. The Audit and Finance Committee currently comprises four independent members in compliance with the above-mentioned provision. In addition, Rule 10A-3 provides that the audit committee must have direct responsibility for the appointment, compensation and choice of the statutory auditors, as well as control over the performance of their duties, management of complaints made, and selection of consultants. The Group believes that its Audit and Finance Committee is currently compliant with Rule 10A-3. However, it should be noted that under French law, the appointment of the statutory auditors must be decided by the shareholders at the Shareholders' Meeting. Additionally, French law requires listed companies to appoint two sets of principal Statutory Auditors and two sets of alternate Statutory Auditors. They are appointed for six fiscal years and can only be revoked by a court ruling for professional negligence or incapacity to perform their duties. These rules are compatible with the Exchange Act.

While Alcatel Lucent is not subject to the other NYSE rules on audit committees, a number of the requirements in the NYSE rules are similar to Rule 10 A-3, and Alcatel Lucent considers that its Audit and Finance Committee is substantially in line with the requirements of the NYSE rules.

Financial statements

The role of the Audit and Finance Committee, as defined by the Board of Directors' Operating Rules, is to review the accounting standards used by the Company, the Company's risks and significant off-balance sheet commitments, and any financial or accounting matters presented to it by the CEO or the Chief Financial Officer.

The Committee reviews and approves the appropriateness and consistency of the accounting methods used to prepare the consolidated and parent company financial statements, as well as the proper accounting treatment of the significant transactions at the Group level.

The Committee reviews the scope of consolidation and, where relevant, the reasons why certain companies should not be consolidated.

It reviews the accounting standards which are applicable to and applied by our Group, both according to IFRS and French GAAP (the latter with respect to the parent company's financial statements), as well as their effects and the resulting differences in accounting treatment.

It examines the Alcatel Lucent and the consolidated quarterly, half-year and year-end financial statements and the Group's budgets.

Internal control and risk management

The Audit and Finance Committee verifies that internal procedures for collecting and reviewing financial information are in place to ensure the reliability of this information. The Committee ensures that a process to identify and analyze risks exists, in particular for risks that are likely to have a material impact on accounting and financial reporting. The head of the Internal Audit Department within the Group periodically reports to the Committee on the results of the work of his/her department. In addition, twice a year, the Committee reviews the Group's internal audit plan and the method of operation and organization of the Internal Audit Department. The Committee is consulted on the selection of the head of the Internal Audit Department and on his/her potential replacement.

The Committee reviews any complaint, alert or other report, including those submitted anonymously, that reveal a potential malfunction in the financial and consolidation process set up within the Group.

The Audit and Finance Committee meets periodically with our Chief Compliance Officer to check the adequacy of our compliance programs, any potential significant violations of these programs and the corrective measures taken by us.

Financial information

The Audit and Finance Committee also reviews our Group's indebtedness, its capitalization and any possible changes to this capitalization, as well as any financial or accounting matters presented to it by the Chairman of the Board of Directors or the Chief Financial Officer (such as risk coverage and centralized treasury management).

It also reviews any financial transactions having a significant impact on the Group's financial statements, such as any issuance of securities in excess of €400 million, which must be approved by the Board of Directors.

Statutory Auditors

Our Audit and Finance Committee oversees the selection process for the Statutory Auditors, in compliance with the AFEP-MEDEF Code and makes recommendations on the choice of such Auditors to the Board of Directors.

Assignments, if any, that do not pertain to the audit of the accounts, or that are neither incidental nor directly supplemental to such audit, but which are not incompatible with the functions of the Statutory Auditors, must be authorized by the Audit and Finance Committee, regardless of their significance. The Committee ensures that these assignments do not violate, in particular, the provisions of Article L. 822-11 of the French Commercial Code.

The Audit and Finance Committee also reviews and determines the independence of the Statutory Auditors and issues an opinion on the fees due for their audit of the financial statements.

Based on the total amount of fees paid for the audit of the financial statements during a given fiscal year, the Committee sets the limit(s) of fees beyond which the Committee must give a specific authorization for previously authorized assignments.

The Committee's work in 2014 and early 2015

At each meeting, the Committee was briefed by the Chief Financial Officer and the Statutory Auditors and reviewed, in the Statutory Auditors' presence, the key points discussed with the Chief Financial Officer during the preparation of the financial statements.

The Committee conducted a review of the Company and consolidated financial statements for fiscal years 2013 and 2014 and the half-year and quarterly consolidated financial statements for fiscal year 2014. It also performed a specific review of certain notes to the financial statements. To prepare for this review, the Committee relied in particular on the work of the Disclosure Committee created to ensure the reliability of the information disclosed by the Group.

On several occasions, the Committee has considered the consequences of the main agreements and other commitments of the Group, and the major elements of its financial position, in particular its capitalization, its debt and the status of its pension funds. To this end, the Committee has issued recommendations in 2014 on various projects of financial transactions by the Company (see Section 7.1.3.4 "Activity of the Board of Directors in 2014 and early 2015") or its subsidiary Alcatel Lucent USA Inc., under The Shift Plan, in particular: The issuance of OCEANE 2019 and 2020 for an amount of €1,148 million, the redemption of the OCEANE 2016 and the early reimbursement of the remaining outstanding amount under the Senior Secured Credit Facility, entered into on January 30, 2013.

The Committee also reviewed the Group's budget for 2015 and the draft resolutions relating to the financial authorizations to be submitted to the shareholders at the Shareholders' Meeting on May 26, 2015. It also reviewed the financial sections of the reference document and the 20-F Form for 2013 and for 2014, as well as parts of the report of the Chairman of the Board of Directors on internal control and risk management, particularly those related to accounting and financial reporting.

The Committee ensured the effectiveness of internal control procedures put in place by the Group. To this effect, at regular intervals, the Committee monitored the progress made during the certification process required by Section 404 of the Sarbanes-Oxley Act. It also received the Internal Audit Department's annual report for 2013 and for 2014, as well as the internal audit plans for 2014 and 2015. It assessed the internal and external auditors' report to ensure the effectiveness of internal control systems set up by the Group.

Finally, the Committee reviewed the Statutory Auditors' reports and participated in the determination of the Statutory Auditors' fees. The Committee was also briefed by the Chief Compliance Officer on the compliance programs set up for 2013 and 2014 and on the objectives set for 2015. The Committee also invited the Monitor to participate to one of its meetings and heard his recommendations.

7.1.4.2 Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee met 5 times during fiscal year 2014, with an attendance rate of 96 %, and twice in early 2015, with an attendance rate of 90%.

Members

Beyond the AFEP-MEDEF Code requirements, the Corporate Governance and Nominating Committee's operating rules provide that the Committee shall consist of no less than three members, at least two-thirds of whom must be independent. The members of the Committee are Mr. Jean-Cyril Spinetta, Chairman since July 30, 2014, Mr. Stuart E. Eizenstat, Mr. Louis R. Hughes (since July 30, 2014), Mr. Jean C. Monty (since July 30, 2014) and Mr. Olivier Piou. All members are independent Directors under French standards. Lady Sylvia Jay and Mr. Daniel Bernard were also members of the Committee until the Shareholders' Meeting of May 28, 2014. Pursuant to the operating rules of the Committee, the Chairman of the Board and the Chief Executive Officer may attend the meetings of the Committee and participate in the discussions on a consultative basis except when their personal situation is discussed.

Role

The role of our Corporate Governance and Nominating Committee, as defined by the Board of Directors' Operating Rules, is to:

- review questions related to the composition, organization and operation of the Board of Directors and its Committees;
- identify and propose to the Board individuals who are qualified to hold the position of Director and serve on Committees;
- develop and recommend to the Board a set of corporate governance principles applicable to the Company;
- oversee the evaluations of the Board and of its Committees;
- study matters of compliance in joint session with the Audit and Finance Committee ;
- review different elements of the Human Resources policy and the Group's CSR policy in joint session with the Compensation Committee; and
- review succession plans for the CEO and other senior officers of the Group (Leadership Team).

The Committee's work in 2014 and early 2015

Pursuant to its operating rules, the Committee was in charge of a number of issues during the fiscal year 2014 and early 2015 with respect, in particular, to the composition of the Board of Directors, the modified composition of the Committees and the Board's annual assessment.

In the context of the renewals of the mandate of some of the Directors, the Committee studied the situation of each Director whose term of office was due to end at the Shareholders' Meeting of May 28, 2014 and thus proposed: (i) the renewal of the terms of office of Mrs. Kim Crawford Goodman and Mr. Jean-Cyril Spinetta and (ii) the appointment of Mrs. Véronique Morali and Mr. Francesco Caio as Directors for a three-year term, that is, until the end of the Shareholders' Meeting which will be called to approve the financial statements for fiscal year ending December 31, 2016.

The Committee proposed the renewal of each of the three Directors whose terms of office are due to expire at the Shareholders' Meeting to be held on May 26, 2015, namely Messrs. Stuart E. Eizenstat, Louis R. Hughes and Olivier Piou. The Committee has also started the selection process for a new Director (see Section 7.1.2.1 "Principles of corporate governance").

The Committee also reviewed the independence of the Directors in light of the AFEP-MEDEF Code and the NYSE rules (see Section 7.1.2.1 "Principles of corporate governance").

In addition, it reviewed the performance criteria of the performance share plans for Mr. Philippe Camus and presented its recommendations to the Board of Directors (Chapter 8 "Compensation and long-term incentives").

In the course of joint sessions with the Compensation Committee, it reviewed questions related to diversity and talent strategy and the question of the succession of the members of the Leadership team.

7.1.4.3 Compensation Committee

The Compensation Committee met 6 times during fiscal year 2014 with an attendance rate of 100% and twice in 2015 with an attendance rate of 88%.

Members

The Compensation Committee consists of no less than four members, at least two-thirds of whom must be independent.

The members of the Committee are Mr. Jean-Cyril Spinetta (Chairman), Mrs. Véronique Morali (since July 30, 2014), Mr. Stuart E. Eizenstat and Mr. Olivier Piou. All members are independent Directors under French standards. Lady Sylvia Jay was also part of this Committee until the Shareholders' Meeting of May 28, 2014. Pursuant to the operating rules of the Committee, the Chairman of the Board and the Chief Executive Officer may attend the meetings of the Committee and participate in the discussions on a consultative basis except when their personal situation is discussed.

Role

The roles of the Compensation Committee, as defined by the Board of Directors' Operating Rules, are as follows:

- To develop and make proposals to the Board of Directors, with respect to the compensation of the Directors, the Chairman, the CEO, and the key executives and the members of the Management Committee;
- To review the proposals of the Senior Management concerning long-term compensation including, in particular, performance share grants and grants of stock options and other profit-sharing schemes linked to the Company's share price to employees and senior officers of the Group;
- To propose to the Committee the implementation of plans and to make recommendations on the conditions of these long-term instruments (vesting conditions, attendance and performance);
- To review the performance of the implemented long-term compensation instruments and provide a situation update to the Committee;
- To review any proposal to increase the capital of the Company reserved to employees;
- To review the different sections of the Human Resources policy and the Group's CSR policy in joint session with the Corporate Governance and Nominating Committee.

The Committee's work in 2014 and early 2015

The Committee reviewed the components of the Company's long-term compensation policy, which consists in performance shares and stock option grants. In this regard, it recommended the renewal, at the Shareholders' Meeting of May 28, 2014, of the two authorizations relating to the grant of performance shares and stock options which had expired on August 1, 2013. To this effect, the Committee formulated a set of recommendations regarding the conditions of these plans including the vesting period and the performance criteria governing all performance share grants and all grants of stock options to the Leadership Team. In September 2014, it approved the implementation of a plan to grant performance shares to 4,641 people. The performance criteria applicable to the previous performance share and stock option plans were reviewed by the Committee.

The Committee also approved the criteria and the objectives related to the Company's new variable compensation plan (*Achievement Bonus Plan* - ABP) for fiscal year 2014, as defined by the leadership of the Company. It reviewed the components of the compensation of the Chairman of the Board of Directors and the Chief Executive Officer for the fiscal years 2013 and 2014, in particular concerning the Chief Executive Officer's variable compensation and the performance criteria which condition the vesting of his Performance Units.

The Committee analyzed certain Group-level human resources matters such as compensation policy and, during joint sessions with the Corporate Governance and Nominating Committee, looked at development strategy for key individuals and policy concerning professional and compensation equality.

Finally, the Committee analyzed the information related to the compensation of the Executive Directors and the members of the Management Committee prior to the publication of this information in this document (Section 8.2 "Status of the Executive Directors and Officers").

7.1.4.4 Technology Committee

The Technology Committee met five times during the fiscal year 2014 with an attendance rate of the Directors of 100% and once in 2015 with an attendance rate of the Directors of 100%.

Members

The Technology Committee consists of Mr. Louis R. Hughes (Chairman), Mrs. Carla Cico, Mrs. Kim Crawford Goodman, Mr. Francesco Caio (since July 30, 2014), Mr. Olivier Piou and Mr. Phillippe Keryer (member who is not a Director, in charge of the Group strategy and innovation). Mr. Lapraye and Mr. Le Dissez participate in the meetings of the Committee as Board Observers.

Role

The roles of the Committee, as defined by the Board of Directors' Operating Rules, are as follows:

- to review the major technological options that are the basis of the research and development work (R&D) and the launch of new products;
- to be kept informed of the development of Alcatel Lucent's scientific and technical cooperation projects put in place by Alcatel Lucent with academia and research groups;
- to review R&D expenses, the risks associated with the R&D programs and the associated mitigation plans, technology trends and disruptive threats or opportunities;
- to benchmark competitors to evaluate the Group's R&D efficiency and cost.

The Committee makes recommendations to the Board of Directors on the following points:

- Product strategy and performance (market share, quality of service and action plan);
- Program management;
- Allocation of funds for research and development;
- Long-term technology strategy and opportunities for innovation.

The Committee's work in 2014 and early 2015

At these meetings, the Committee discussed the strategic vision for Alcatel Lucent at the horizon 2020 and linked it to the Group's technological positioning on the main markets in which it operates (Strategic Vision 2020, Tech Symposium). It reviewed the Group's product portfolio and, in particular, the product portfolios of certain segments. Particular attention was given to the repositioning of research activities at Bell Labs (Future X projects, Bell Labs prize). The Committee reviewed in detail some of the Group's key projects such as partnership strategy, 5G strategy, progress in the field of Cloud computing and the virtualization of networks. Finally, the Committee undertook a series of profile reviews and reviews of the strategic positioning of some of our competitors.

7.2 Regulated agreements

Regulated agreements, commitments and related party transactions

"Regulated" agreements under French law are agreements between a company and its CEO or a deputy Chief Executive Officer, if any, a director, or a shareholder holding more than 10% of the voting rights, that, while authorized by French law, do not involve transactions in the ordinary course of business under normal terms and conditions.

These agreements, as well as, for example, any new commitment made to the Chairman of the Board of Directors or the CEO in the event of termination of his duties, must be authorized in advance by the Board of Directors through a specific legal procedure, reported on in a special Statutory Auditors' report and presented for consultation at the Shareholders' Meeting.

Related party agreements and transactions (under U.S. law) include, among others, agreements entered into with the Company's Directors and senior management, shareholders holding more than 5% of the Company's capital, and close family members of the aforementioned parties. They are not subject to the prior authorization procedure required by French law, unless they fall under the rules applicable to "regulated" agreements.

Commitments in favor of the CEO

In the context of the appointment of Mr. Michel Combes as CEO of Alcatel-Lucent effective on April 1, 2013, the Board of Directors, at its meeting on March 7, 2013, authorized the following commitments in favor of Mr. Michel Combes:

(i) The benefit of the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD plan) for the portion of their income that exceeds eight times the annual French Social Security limit, beyond which there is no legal or contractual pension scheme, subject to performance conditions as required by law, and

(ii) a termination benefit, the amount of which will be equal to one year of base salary (fixed and target variable remuneration), subject to performance conditions as required by law.

1. The pension commitment mentioned above is subject to the following performance conditions:

- three quantitative criteria, weighted cumulatively at 75% (individually 25% each), corresponding to the evolution of (i) revenue, (ii) operating income (loss) and (iii) the Alcatel Lucent share price in comparison with previous fiscal years compared with a representative sample of companies in the sector consistent with the sample used for the stock options and performance shares plans,
- two qualitative criteria, weighted together at 25% (individually 12.5% each), corresponding to the execution of the Performance Program and the evolution of the customer satisfaction index.

Over the reference period:

- If the global performance score is above 85%: the beneficiary will be entitled to 100% of the rights with respect to this commitment;
- If the global performance score is between 50% and 85%: the beneficiary will be entitled to 75% of the rights with respect to this commitment;
- If the global performance score is between 25% and 50%: the beneficiary will be entitled to 50% of the rights with respect to this commitment;
- If the global performance score is less than 25%: the beneficiary will not be entitled to any right with respect to this commitment.

2. The termination benefit is subject to a performance condition set in relation to Alcatel Lucent's situation consisting in positive Free Cash Flow for at least one fiscal year from now until the end of Mr. Michel Combes' mandate as CEO, as reported by the Company in its audited financial statements. The breakdown of Free Cash Flow is reported in Note 32-b of the 2013 audited consolidated financial statements. It corresponds to the net cash provided (or used) by operating activities (including restructuring cash outlays and contribution and benefits paid on pensions and post-employment benefits) reduced by capital expenditures. This performance condition can be either entirely fulfilled (at 100%), or not fulfilled (0%).

   In compliance with the AFEP-MEDEF Code, this termination benefit will only be paid if the following conditions are met: (a) the Board of Directors terminates Mr. Michel Combes' term of office as CEO in connection with a change of control or strategy and (b) the performance condition as described above is fulfilled.

   No termination benefit will be due in the following cases: if Mr. Michel Combes (i) is terminated for gross negligence or willful misconduct, (ii) leaves the Company on his own initiative, (iii) changes position within the Group, or (iv) upon his departure, has the ability to claim his pension rights within a short time period.

These commitments were the subject of a Statutory Auditors' special report and were approved by the shareholders at the Shareholders' Meeting on May 7, 2013.

The Board of Directors proceeded with the annual review in 2015 of the regulated agreements authorized and entered into during previous fiscal years and noted that the commitments in favor of Mr. Michel Combes at the time of his appointment as CEO continue to be consistent with the interest of the Company and do not raise any particular comments.

Related party transactions

There are no agreements between us and any of our shareholders who hold more than 5% of our capital.

Details about related party transactions, as defined by IAS 24, entered into by our Group's companies in 2012, 2013 and 2014 are presented in Note 29 to the consolidated financial statements "Related party transactions."

These transactions mainly concern jointly controlled entities (consolidated using proportional consolidation) and companies consolidated using the equity method.

7.3 Alcatel Lucent Code of Conduct

In July 2009, Alcatel Lucent published a revised "Alcatel Lucent Code of Conduct", which establishes, in a streamlined manner, the Company's standards for ethical business conduct. The Code of Conduct is binding on all employees globally in their daily operations and on the Company in its relations with competitors, suppliers, shareholders, partners and customers. The standards set forth in the Code of Conduct are based upon the laws and regulations in force, as well as the notions of integrity, respect, equity, diversity and ethics. The Code of Conduct is available on the Alcatel Lucent Intranet site in twenty-two languages, as well as on the Alcatel Lucent external website.

In 2014, in order to continue to enhance our employees' awareness of international good conduct rules, we requested each employee to get reacquainted with and approve the Code of Conduct. This requirement was extended to non-employee contract workers (temporary workers, interns and apprentices).

In the first quarter of 2015, the Company implemented a new program called "Conducting Business with Integrity" which states the main standards of conduct and which specifies the importance of conducting business with integrity. The program requires that all employees, as well as all temporary workers, interns and apprentices review the Code, applicable laws and the Company's policies and procedures in order to carry out their responsibilities in the name and on behalf of the Company.

The "Code of Ethics for Senior Financial Officers" of 2004, which applies to our CEO, Chief Financial Officer and Corporate Controller, is available on our website. This Code supplements the Code of Conduct mentioned above, which also applies to these senior financial officers.

In addition, we implemented an Ethics and Compliance Program involving a set of processes, principles and controls to ensure compliance with the law as well as the respect of the Company's directives and policies. Alcatel Lucent's Chief Compliance Officer supervises the implementation and ongoing adoption of this program to reflect evolving legal requirements, international standards and the standards of behavior set forth in the Alcatel Lucent Code of Conduct.

The Alcatel Lucent Ethics and Compliance Council was established in February 2007 and is comprised of the Chief Compliance Officer and the representatives of the following departments: Law, Audit and Finance, Human Resources & Transformation, Communications, Business & Information Technology Transformation, Procurement & Design-To-Cost, Public Affairs, Corporate Security, Global Delivery and the Office of Business Integrity & Compliance. This Council meets on a quarterly basis and is responsible for overseeing the strategic design and implementation at the Group level of an integrated and robust ethics and compliance system.

In this respect, we comply with the NYSE rules that stipulate that all U.S. listed companies must adopt and implement a Code of Conduct aimed at the Chairman of the Board, the CEO, executive officers and employees. Although this rule is not mandatory for Alcatel Lucent, our Code of Conduct covers all the subjects included in the NYSE rules, except that it does not specify a mechanism allowing the Chairman of the Board, the CEO, the executive officers and the employees to obtain a waiver for the application of any aspect of such Code.

7.4 Major differences between our corporate governance practices and NYSE requirements

The main ways in which our corporate governance practices are aligned with, or differ from, the NYSE's corporate governance rules applicable to U.S. "domestic issuers" listed on the NYSE are explained above in Section 7.1 "Chairman's corporate governance report" and in Section 7.3 "Alcatel Lucent Code of Conduct".

Compensation and long-term incentives

8

Section 8.1 "Long-term compensation mechanisms'' deals with the general principles applicable to the long-term benefits for employees and management of the Group. The status of the Officers and Executive Directors, including with respect to their compensation, is more specifically dealt with in Section 8.2 "Status of the Executive Directors and Officers".

8.1 Long-term compensation mechanisms

8.1.1 General principles

The purpose of the compensation and long-term profit-sharing mechanisms in the Company's capital is to involve employees and managers in the development goals of Alcatel Lucent, in the interest of the Group and its shareholders. The main instruments used in this context until now have been the grant of performance shares and stock options, as well as the implementation of profit-sharing agreements and employee savings plans in France.

Grant policy for performance shares and stock options

The grants of performance shares and stock options are decided each year by the Board of Directors at the recommendation of the Senior Management and after review by the Compensation Committee. They are part of the long-term compensation policy of the Company, which serves several purposes: to involve employees in the Group's results; to encourage and reward individual performance; to attract and retain talent in a highly competitive industry, where recourse to such incentives is widespread.

This compensation policy applies globally, but takes into account the different practices and specificities of the regulations applicable in each country. Further to the changes in French legislation in this area, in 2014 the Group was able to align the conditions applicable in France and in the other countries. The main characteristics of the plans satisfy the increased demands from the market.

Performance conditions

Every year, the Board of Directors determines the terms and conditions of the plans, and in particular the performance criteria attached to the grants of performance shares and stock options.

The Board of Directors chose to subordinate the grant of performance shares to a single quantitative criterion. This criterion refers to the comparison between the evolution of the Alcatel Lucent share price and the share price of a representative panel of 10 solution and service providers in the telecommunications equipment sector. With respect to the grant of stock options to the Executive Directors and Officers, a single performance criterion has also been selected and is based on the Free Cash Flow.

Performance criteria have remained unchanged since 2011; only the vesting conditions have been modified following the renewal of the authorizations at the Shareholders' Meeting of May 28, 2014, allowing the grant to employees of performance shares and of stock options or share purchase options.

The table below reflects the current performance criteria applicable to performance share and stock option plans.

	Employees	Leadership Team
Performance shares	Performance of Alcatel Lucent's share applied to 100% of the grant	Performance of Alcatel Lucent's share applied to 100% of the grant
Stock options [(1)]	Not subject to performance condition	Free Cash Flow's evolution applied to 100% of the grant

(1) No grant of stock options to employees in 2014 or to the Leadership team in 2013 and 2014.

Gradual vesting and presence

The vesting conditions of stock options and performance shares were reconsidered in 2014 in order to meet new challenges of a telecommunications industry which continues to be particularly competitive, specially in the United States where the compensation practices of the Silicon Valley companies are particularly aggressive.

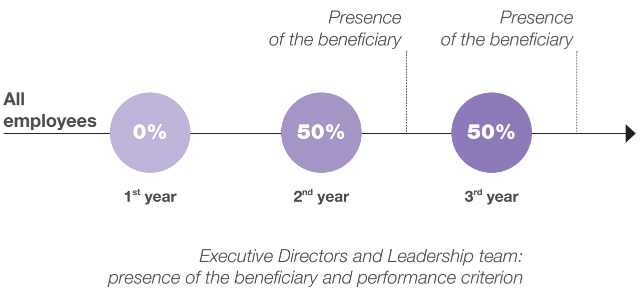
In this context, the Company proceeded to make two major changes, on the one hand by harmonizing the conditions between the French employees and those in other countries, and, on the other hand, by adopting the principle of a gradual vesting for 50% of the rights at the end of an initial 2-year period, in order to reinforce the notion of loyalty and long-term encouragement.

Therefore, with regard to stock options, the vesting period is now of 3 years for all recipients regardless of the Group company that employs them (see Section 8.1.5 "Stock options"):

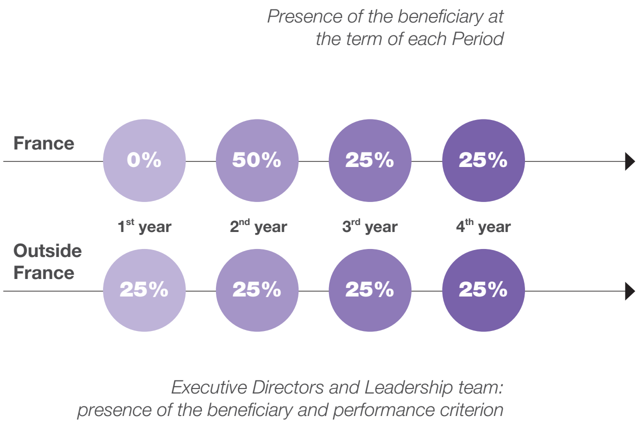
- An initial vesting period of 2 years at the end of which the recipient acquires 50% of the rights provided that he/she is present in the Company at the end of these two years;

- followed by a second vesting period, which corresponds to the third year, and at the end of which the recipient acquires the remaining 50% of the rights provided that he/she is present in the Company at the end of this third year.

New stock option plans



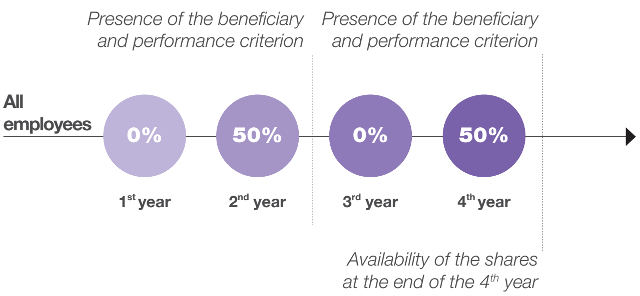
Stock option plans prior to 2014



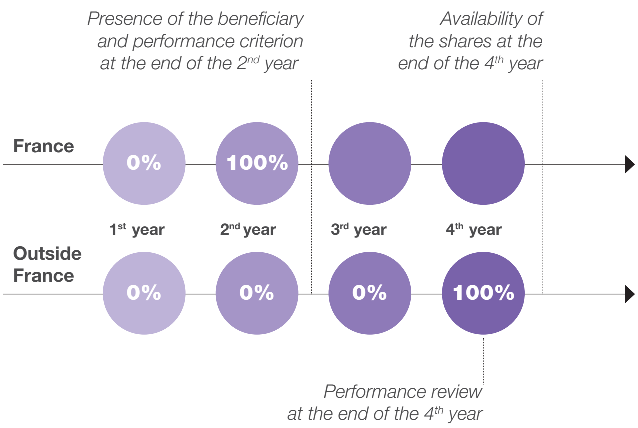
With regard to performance shares, the total vesting period is 4 years for all recipients regardless of the Group company that employs them (see Section 8.1.2 "Performance shares"):

- The satisfaction of the presence condition is determined at the end of the first period of 2 years (years 1 and 2) for 50% of the initial grant, and at the end of the second period of 2 years (years 3 and 4) for the remaining 50%;
- the satisfaction of the performance condition is determined at the end of the same first 2-year period, as well as at the end of the 4-year vesting period.

New performance share plans



Performance share plans prior to 2014



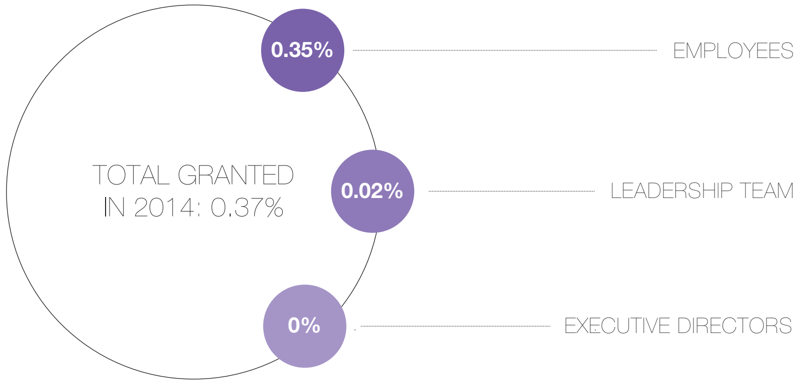
Use of authorizations

Two authorizations were adopted at the Shareholders' Meeting of May 28, 2014 allowing Alcatel Lucent's Board of Directors to grant performance shares and stock options over a period of 38 months. Each authorization is limited to 2% of the capital, that is, a maximum of 4%. Regarding the plans implemented pursuant to these new authorizations, all grants of performance shares for all recipients will be subject to performance criteria; the same principle applies to all stock options granted to the members of the Leadership team.

Use: 0.37% of the overall authorization of 4% of the capital*

Only performance shares were granted during fiscal year 2014 pursuant to the new authorizations adopted by the shareholders at the Shareholders' Meeting of May 28, 2014, in an amount of 10.47 million shares. This represents 0.37% of the Company's capital,* with grants to employees representing 0.35% and grants to the Leadership team representing 0.02%.

Breakdown of performance shares granted in 2014, in percentage of the share capital*



** The reference share capital is the share capital at December 31, 2014.*

Readjustment of the grants and stabilization of the dilutive effects

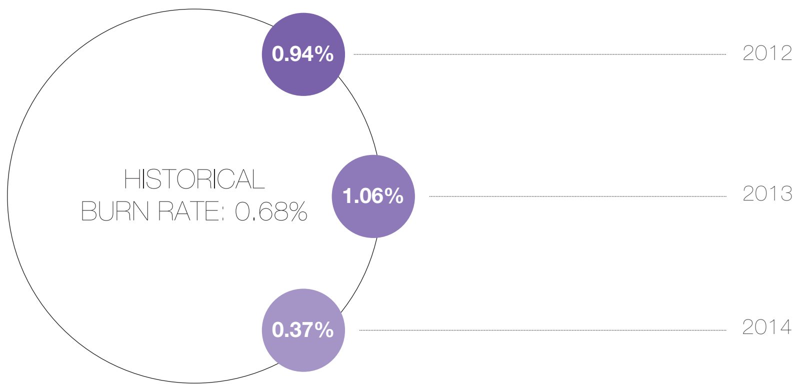
During recent years, the Company has gradually given priority to the grant of performance shares over stock options.

As of December 31, 2014, the volume of stock options and performance shares in circulation, that is, 151.6 million securities (after adjustment), represents 4.18% of the diluted capital of Alcatel Lucent (see Section 10.2 "Capital") and 5.38% of its capital. As of March 28, 2015, at the end of the exercise period for the stock option plan of March 28, 2007 (19.7 million stock options in circulation as of December 31, 2014, after adjustment), the volume of stock options and performance shares in circulation will only represent 3.64% of Alcatel Lucent's diluted capital and 4.68% of its capital.

Following the capital increase with preferential subscription rights completed on December 9, 2013, the conversion mechanism of the securities was adjusted in order to preserve the rights of the recipients of stock options and of the owners of securities giving access to the Company's capital. This Chapter therefore reports on the number of securities and the exercise price of the stock options before and/or after adjustment for plans prior to the above-mentioned capital increase.

With respect to the flows, the total volume of annual grants of performance shares and stock options was 21.9 million in 2012, 24.8 million in 2013 (before adjustment) and 10.47 million in 2014. The average grant rate, or "average burn rate," corresponds to the average number of grants of performance shares and stock options within one year. The "historical burn rate" is calculated on the average of the last three grants and represents 19.05 million shares annually, that is, approximately 0.68% of the capital at December 31, 2014.

Average annual grant rate in percentage of the share capital



8.1.2 Performance shares

For all recipients, the acquisition of performance shares is subject to the recipient's presence in the Group and to a performance condition, over a gradual vesting period of 4 years. Performance shares are no longer subject to a minimum holding period.

Characteristics of the new grants

Plan of September 15, 2014. The Board of Directors authorized the granting of 10,466,473 performance shares to 4,641 employees and officers of the Group, subject to the fulfillment of a presence condition and the performance criterion based on the Alcatel Lucent share price as described below. This plan includes a grant of 495,000 performance shares to the members of the Leadership team, excluding the CEO.

Gradual vesting and presence of the recipient: The rights of the recipient are acquired at the end of an overall vesting period of 4 years, subject to a presence condition and a performance condition:

- the satisfaction of the presence condition is determined at the end of a first period of 2 years (years 1 and 2) for 50% of the initial grant, and at the end of the second period of 2 years (years 3 and 4) for the remaining 50%;
- the satisfaction of the performance condition is determined at the end of the same first 2 year period, as well as at the end of the 4-year vesting period; if the performance level at the end of the 4 years is greater than that noted at the end of the first 2 year period, this performance level at the end of the 4 years will be applied to the entire grant.

The shares are available at the end of the fourth year following the grant.

Performance criterion of the Alcatel Lucent share price: The evolution of the Alcatel Lucent share price is measured against a representative panel of 10 solutions and services providers in the telecommunication equipment sector. This reference panel may be revised based on changes at these companies, especially in case of transactions concerning their structure that may affect their listing. Since the plan of September 15, 2014, the panel consists of the following companies: Adtran, Amdocs, Arris, Ciena, Cisco, CommScope, Ericsson, Juniper, Nokia and ZTE. Amdocs and CommScope replaced F5 Networks and Motorola Solutions Inc., the activities of which now differ more from those of the Group. The number of shares definitively acquired depends on the performance of the Alcatel Lucent share price compared with the shares of the companies in the reference panel over the same period, with a heightened performance requirement for the Leadership team.

Determination of performance level: At the time of the grant, the initial reference share price of Alcatel Lucent and of each of the companies of the panel is respectively determined as being equal to the average of the 20 opening prices preceding the grant date (the "Initial Reference Share Price"). At the end of each comparison period, the reference share price will be determined using the same method for Alcatel Lucent and for the companies of the panel, that is, the average of the 20 opening prices preceding the end date of the comparison period (the "Final Reference Share Price"). For Alcatel Lucent as well as for each company of the reference panel, the ratio used to assess the performance condition is calculated by dividing the Final Reference Share Price by the Initial Reference Share Price.

Evaluation of the performance for the recipients who are Group employees: The performance is evaluated at the end of each 2-year period, the definitive acquisition being subject to the satisfaction of the presence condition and to the final evaluation at the end of the 4-year vesting period mentioned above:

- if the Alcatel Lucent share price significantly underperforms compared to the share prices of the companies in the panel (difference of at least 40% compared to the median), no shares will be vested for the relevant period;
- if the Alcatel Lucent share price performs as well as the share prices of the companies in the panel, measured based on the median, 100% of the shares relating to the relevant period will be vested;
- between these two limits, the number of shares vested will be linearly proportional.

Evaluation of the performance for the members of the Leadership team: The performance is evaluated at the end of each 2-year period, the definitive acquisition being subject to the satisfaction of the presence condition and to the final evaluation at the end of the 4-year vesting period mentioned above. The calculation method will be the same as that used for employees of the Group, with a higher performance condition:

- if the Alcatel Lucent share price underperforms compared to the share prices of the companies in the panel (its evolution is below the median of the panel), no rights will be vested;
- if the Alcatel Lucent share price performs as well as the share prices of the companies in the panel (its evolution is equal to the median of the panel), 75% of the rights relating to the relevant period will be vested;
- if the Alcatel Lucent share price outperforms the share price of the companies in the panel by at least 10% compared with the median, 100% of the rights granted with respect to the relevant period will be vested ;
- between these two limits (median and median + 10%), the number of shares vested will be linearly proportional, from 75% to 100%.

The Board of Directors will determine, on the basis of an analysis validated by an audit firm contracted for this purpose, whether or not the performance conditions described above have been satisfied.

Conditions of presence and performance from 2011 to 2013

The vesting depends on the presence of the recipient as an employee after a 2-year period from the date of the grant and on the performance of the Alcatel Lucent share price, measured against the share price of a representative panel of 10 solutions and services providers in the telecommunication equipment sector (Adtran, Arris, Ciena, Cisco, Ericsson, F5 Networks, Juniper, Motorola Solutions Inc., Nokia and ZTE).

The performance of the Alcatel Lucent share price is measured against the share price of a representative panel of 10 solutions and services providers in the telecommunications equipment sector

As a reminder, the initial list of 14 providers as defined in 2009 was revised as a result of structural operations that ended the listing of the shares of Nortel in 2009, ADC Telecom in late 2010, Comverse in early 2013 and Tellabs at the end of 2013. The reference price is calculated, for the Alcatel Lucent share, based on the average opening price on the Euronext Paris exchange for the 20 trading days preceding the end of each 1-year period, and for the shares of the other issuers, on a similar basis on the main exchange where they are listed.

For all recipients who are Group employees - regardless of which legal entity employs them - vested performance shares are available at the end of the fourth year following the grant.

Performance condition. The evolution of the Alcatel Lucent share price and that of the other issuers is measured after each of the two initial 1-year periods for all recipients (Periods 1 to 2). For recipients employed by one of the Group's companies based outside France, a third review of the performance of the Alcatel Lucent share price is conducted at the end of the fourth year to determine whether the rights calculated with respect to the first 2 years are definitively acquired at the end of the vesting period, that is, at the end of the fourth year. For recipients employed by one of the Group's companies based in France, there is no additional performance review but an additional holding period of 2 years is required so that the performance shares become available at the end of the fourth year following the grant, as for recipients who are employees of one of the Group's companies based outside of France.

Reference Periods 1 to 2. Depending on the Alcatel Lucent share price's ranking compared with that of other issuers in the panel, a coefficient ranging from 0% to 100% is used to calculate the number of shares vested during the first and the second periods. The Board of Directors determines, on the basis of an analysis validated each year by an audit firm contracted for this purpose, whether or not the performance condition has been satisfied (see Section 8.1.3 "Performance reviews for the performance share plans").

The coefficient used for the second period applies to the balance of rights that have not vested during the first period. No rights vest if the Alcatel Lucent share price is the last in this ranking. The number of performance shares finally vested for recipients who are Group employees in France at the end of the 2-year vesting period amounts to the total number of the vested shares in the 1st and the 2nd years.

Reference Periods 1 to 4. With respect to recipients who are employees of the Group's companies based outside France, the final number of shares vested will be determined at the end of the 4-year vesting period; the reference price of the Alcatel Lucent share and of the shares of the other issuers in the representative panel, as determined on the grant date, will be compared to the average of their reference share prices measured at each anniversary date of the grant date in order to establish a ranking of the performance of the Alcatel Lucent share price and of the share prices of the other issuers. If the Alcatel Lucent share price is not ranked in last position, the total number of shares as determined at the end of the reference periods 1 to 2 will be definitively vested.

Achievement levels observed in fiscal years 2014 and 2015. With respect to the March 16, 2011 plan, which includes 9,939,786 performance shares (before adjustment) for 8,177 recipients, it is noted that 816,552 Alcatel Lucent shares (before adjustment) were previously issued to 956 employees of the Group's companies based in France on the second anniversary date of the plan, based on an achievement level of 50%. For recipients who are employees of the Group's companies based outside France, the last performance review is scheduled on the 4th anniversary date of the plan and will determine whether the rights acquired at the end of the first two periods (50%) are definitively vested at the end of the vesting period.

At its meeting of March 13, 2015, the Board of Directors determined, consistent with the provisions mentioned above, that the Alcatel Lucent share price ranks 8th in comparison with the shares of the issuers in the panel, and that consequently, since the Alcatel Lucent share is not ranked last, the achievement level of 50% obtained at the end of Period 2 is to be used to determine the number of rights of the 6,109 recipients who are employees of companies based outside France, which results in a total of 3,771,094 performance shares definitively vested for the benefit of those employees.

With respect to the March 14, 2012 plan which includes 10,474,215 performance shares (before adjustment) granted to 7,936 recipients, the ranking and the coefficient at the end of the performance review carried out on March 13, 2014 are 1 and 100% respectively, which translates into a global achievement level of 100% at the end of the 2-year vesting period for the recipient employees of the Group's companies based in France. A total of 1,830,056 Alcatel Lucent shares (after adjustment) were issued to 885 recipients who were employees of the Group's companies based in France and who were present on the second anniversary date of the plan (except in case of death or disability). No rights will be vested before the end of the 4-year vesting period (March 14, 2016) to recipients who are employees of the Group's companies based outside France.

With respect to the July 12, 2013 plan, which includes 2,368,500 performance shares (before adjustment) granted to 47 recipients, the ranking and coefficient at the end of the performance review carried out on July 29, 2014, are 3 and 75%, respectively. The results of the 2015 performance review will be released on the anniversary date of the grant (a date which is after the filing of this annual report) and will be reported on the Alcatel Lucent website.

Presence and performance conditions prior to 2011

The acquisition of performance shares for the March 17, 2010 plan depends not only on the presence of the recipient as an employee in the Group for a 2-year period starting at the date of the grant, but also on the satisfaction of the Group's annual targets for a period of 2 or 4 years, depending on whether the recipient is an employee of the Group's companies based in France (2 years) or outside of France (4 years).

Performance condition. The criterion chosen for the performance condition of the March 17, 2010 plan is the same as the one chosen in 2010 for the Global Annual Incentive Plan (AIP), that is, the Group's operating income, with precisely-defined achievement levels.

Reference periods. The satisfaction of this performance criterion is assessed at the end of each period corresponding to the successive fiscal years. For the recipients who are employees of the Group's companies based in France, the achievement level of the performance criterion is calculated at the end of a 2-year period on the basis of the performance rates for each fiscal year (Periods 1 to 2). For the recipients who are employees of the Group's companies based outside France, the achievement level is calculated at the end of a 4-year period on the basis of the performance rates for each fiscal year (Periods 1 to 4). The performance rates are reported each year in the plan performance reviews (see Section 8.1.3 "Performance reviews for the performance share plans").

Achievement level observed for fiscal year 2014. With respect to the March 17, 2010 plan, that includes 7,114,502 performance shares (before adjustment) for 10,952 recipients, at the end of the performance review of March 14, 2014, the Board of Directors, on March 19, 2014, noted an achievement level of 0% with respect to fiscal year 2013, that is, a global achievement level of 41.63% at the end of the 4-year vesting period, representing 2,392,688 Alcatel Lucent performance shares acquired by the 8,221 recipients who are employees of the Group's companies outside France and who were present on the second anniversary date of the plan (except in case of death or disability). As a reminder, 975,109 Alcatel Lucent shares were issued to 1,399 employees of the Group's companies based in France on the second anniversary date of the plan, based on a global achievement level of 83.25%.

8.1.3 Performance reviews for the performance share plans

The following plans were subject to a performance review during fiscal year 2014:

			Performance review				Level of achievement	
Date of plan	Performance criterion	Weighting	Period 1	Period 2	Period 3	Period 4	Periods 1 to 2	Periods 1 to 4
03/17/2010	Group's operating income	100%	84%	82.5%	0%	0%	83.25%	41.63%
03/16/2011	Alcatel Lucent share price performance	100%	0% *Rank 13*	50% *Rank 10*	–	50% *Rank 8*	50%	50%
03/14/2012	Alcatel Lucent share price performance	100%	50% *Rank 9*	100% *Rank 1*	–		100%	
07/12/2013	Alcatel Lucent share price performance	100%	75% *Rank 3*	–(1)				

(1) The results of the 2015 performance review will be released on the anniversary date of the grant (a date which is after the filing of this annual report) and will be reported on the Alcatel Lucent website.

For details on the performance criteria, performance monitoring and the level achieved: See Section 8.1.2 "Performance shares".

8.1.4 Summary table for the performance share plans

History of the performance share plans at December 31, 2014

	Number of performance shares										
	Total number of shares		Shares granted to Executive Directors		Shares granted to the Leadership team						
Date du plan	before adjustment	after adjustment(1)	before adjustment	after adjustment(1)	before adjustment	after adjustment(1)	Total number of recipients	Performance conditions	Vesting date of shares(2)	Adjusted number of vested shares	Availability date
09/17/2008	100,000		100,000 (Chairman of Board of Directors)				1	2 financial criteria and 1 qualitative criterion	03/11/2010	100,000	03/11/2012
10/29/2008	250,000		250,000 (CEO)				1	2 financial criteria and 1 qualitative criterion	02/10/2011	250,000	02/10/2013
03/18/2009	200,000		200,000 (Chairman of Board of Directors)				1	3 financial criteria and 1 qualitative criterion	03/18/2011	200,000	03/18/2013
03/18/2009	6,782,956	6,795,154			866,658		11,075	3 financial criteria	03/18/2011 or 03/18/2013	2,198,373	03/18/2013
03/17/2010	200,000		200,000 (Chairman of Board of Directors)				1	1 financial criterion and 1 qualitative criterion	03/17/2012	200,000	03/17/2014
03/17/2010	7,114,502	7,439,815			806,663	835,822	10,952	1 financial criterion	03/17/2012 or 03/17/2014	3,377,414	03/17/2014
03/16/2011	200,000		200,000 (Chairman of Board of Directors)				1	Share price performance and 1 qualitative criterion	03/16/2013	170,000	03/16/2015
03/16/2011	9,939,786	10,386,596			1,400,000	1,451,112	8,177	Share price performance	03/16/2013 or 03/16/2015	827,730	03/16/2015
03/14/2012	200,000	211,352	200,000 (Chairman of Board of Directors)	211,352			1	Share price performance and 1 qualitative criterion	03/14/2014	211,352	03/14/2016
03/14/2012	10,474,215	11,033,036			1,000,000	1,051,100	7,936	Share price performance	03/14/2014 or 03/14/2016	1,842,528	03/14/2016
07/12/2013	2,368,500	2,502,997			966,000	1,020,858	47	Share price performance	07/12/2015 or 07/12/2017	(3)	07/12/2017
09/15/2014	-	10,466,473			-	495,000	4,641	Share price performance	09/15/2016 and 09/15/2018	-	09/15/2018
TOTAL	**37,829,959**	**48,835,423**	**1,150,000**	**1,161,352**	**5,039,321**	**4,853,892**	**42,834**			**9,377,397**	

(1) In the context of the capital increase with preferential subscription rights dated December 9, 2013, the rights of the beneficiaries of stock options and performance shares were preserved through an adjustment of the conversion mechanism. The principle of the adjustment is based on the application of an adjustment ratio of 1.056756449 (i) to the number of securities granted to each beneficiary, rounded up to the next whole number and (ii) to the exercise price of the stock option plans, by division, rounded up to three decimal places. Depending on system constraints specific to banks in charge of managing the plans, the number of securities initially granted is adjusted by taking into account the securities that have already been vested or cancelled.

(2) This is the earliest date at which performance shares can become fully vested, with full ownership to be acquired on the first working day following acknowledgment, at the end of the vesting period, that the presence and performance conditions have been met.

(3) The results of the 2015 performance review will be released on the anniversary date of the grant (a date which is after the filing of this annual report) and will be reported on the Alcatel Lucent internet website.

8.1.5 Stock options

Like the performance shares, the stock option mechanism introduces gradual partial vesting over two successive periods. The vesting of the stock options is subject to the recipient's presence in the Group at the end of an initial 2-year period and of a second 1-year period. A performance condition applies, but only to the Executive Directors and members of the Leadership team.

Characteristics of the new grants

The Board of Directors did not grant any stock option for fiscal year 2014, but it did determine the main characteristics of future plans that may be put in place by using the authorizations granted at the Shareholders' Meeting of May 28, 2014.

Gradual vesting

The recipients would gradually acquire rights to the stock options or the share purchase options granted, over a period of 3 years, subject to a presence condition at the end of each of the two vesting periods:

- An initial vesting period of 2 years at the end of which the recipients would acquire 50% of the rights, provided that they are present in the Company at the end of these two years;
- followed by a second vesting period, corresponding to the 3rd year, and at the end of which the recipients would acquire the remaining 50% of the rights, provided that they are present in the Company at the end of the 3rd year.

Performance condition

With respect to the members of the Leadership team, the vesting of the rights to the stock options granted would be subject to the same vesting principles as those applicable to all employees.

In addition, it would be subject, for the entire grant, to a performance condition based on the evolution of the Free Cash Flow. The satisfaction of this performance condition would be assessed on the basis of the Free Cash Flow objectives as defined by the Board of Directors, at the end of the first 2-year period for 50% of the rights, and at the end of the 3rd year for the remaining 50%.

Main characteristics of the March 16, 2011 annual plan to the 2013 annual plans

Limitation. The number of stock options that could be granted pursuant to the authorization given to the Board of Directors at the Shareholders' Meeting of 2010 for a period of 38 months was limited to 3% of the share capital. The Group's policy concerning the grant of stock options limited to 1% the grants within each annual stock option plan.

Gradual vesting. Recipients acquire rights to stock options granted to them gradually over a period of 4 years, subject to their presence at the end of each vesting period. The rights to the stock options vest at a rate of 25% per year for recipients who are employees of the Group's companies based outside France. For recipients who are employees of the Group's companies based in France, the vesting period of 4 years includes an initial vesting period of 2 years after which the recipient acquires 50% of the rights, followed by a gradual vesting of 25% at the end of the 3rd year and 25% at the end of the 4th year.

Exercise of the rights. Stock options may be exercised once related rights are definitively vested, subject to any holding period that may be imposed by law in certain countries. For instance, recipients who are employees of the Group's companies based in France may not exercise their stock options granted before September 28, 2012, before the end of the holding period, which is 4 years from the grant date of the stock options. Pursuant to the new French tax regime applicable to stock options granted after September 28, 2012, the capital gains on acquisition are subject to the progressive income tax scale with no benefit related to the holding period. For all Group employees – regardless of which legal entity employs them — in view of the gradual vesting, all stock options granted can only be eventually available at the end of the 4th year following the grant. The stock options as so vested must be exercised before the end of the plan, that is, within 8 years from the grant.

No discount. The exercise price for the stock options does not include any discount or reduction and is equal to the average opening price for the Alcatel Lucent share on the Euronext Paris stock exchange for the 20 trading days preceding the Board of Directors' meeting at which the stock options are granted, and the exercise price cannot be lower than the par value of the Alcatel Lucent share, that is, €0.05 since June 2013 (€2.00 before this date).

Performance conditions for the Leadership team. Grants of stock options for Executive Directors and members of the Leadership team have the same vesting principles as those applicable to all employees, but are also subject to performance criteria. These criteria apply to 100% of the stock options granted to the Executive Directors of the Group, consistent with the recommendations of the AFEP-MEDEF Code, and to 50% of the stock options granted to members of the Leadership team (except for the CEO). There was no grant of stock options to the members of the Leadership team in 2013.

The financial criterion selected for the 2011 and 2012 grants to members of the Leadership team is the evolution of the Free Cash Flow. Performance is assessed at the end of each fiscal year over a 4-year period. The rights to the stock options vest at a rate of 25% of the rights per year for recipients who are employees of the Group's companies based outside France, and 50% of the rights at the end of a first 2-year period and then 25% of the rights at the end of each of the two following 1-year periods for recipients who are employees of the Group's companies based in France.

Depending on the performance achieved, a coefficient ranging from 0% to 100% is used to calculate the number of vested rights for each period (see Section 8.1.6 "Performance reviews for the stock option plans").

Leadership team: The performance criterion is a financial criterion, the evolution of the Free Cash Flow

Achievement levels observed in fiscal years 2014 and 2015. With respect to the March 16, 2011 plan (1,400,000 stock options, before adjustment), the coefficients obtained at the end of the annual performance reviews carried out on March 14, 2014 and March 13, 2015 are 0% and 89%, respectively. Therefore, the overall achievement level obtained at the end of the vesting period of the plan is 30.5%.

With respect to the March 14, 2012 plan (1,100,000 stock options, before adjustment), the coefficients obtained at the end of the annual performance reviews carried out on March 14, 2014 and March 13, 2015 are 0% and 89%, respectively.

Main characteristics of the annual plans prior to March 16, 2011

Gradual vesting. For plans up to March 17, 2010, recipients gradually acquire rights to stock options granted to them over a period of 4 years from the grant date, subject to their presence as employees at the end of each period. The rights to the stock options vest at a rate of 25% of the rights after the first year and 1/48th of the rights after each following month.

For plans adopted after March 17, 2010 and prior to the March 16, 2011 annual plan, the rights to the stock options granted vest gradually following the same method as the one applicable to the March 16, 2011 annual plan through the 2013 annual plans, as described above.

Exercise of the rights and no discount. The exercise of the rights and the absence of discount are the same as those applicable to the March 16, 2011 annual plan through the 2013 annual plans, as described above.

Performance conditions for the Leadership team. The performance of the Alcatel Lucent share price is the performance criterion selected for the grant of stock options to the management decided from September 17, 2008 to March 1, 2011. This criterion applies to 50% of the stock options granted to the Executive Directors of the Group and to the members of the Leadership team. The gradual vesting of rights depends on the presence of the recipient within the Group at the end of each vesting period and on the performance of the Alcatel Lucent share price, measured against the share price of a panel of 10 solutions and services providers in the telecommunication equipment sector (Adtran, Arris, Ciena, Cisco, Ericsson, F5 Networks, Juniper, Motorola Solutions Inc., Nokia and ZTE).

Leadership team: the performance criterion is the evolution of the Alcatel Lucent share price

This panel may be revised based on changes at these companies, especially in case of transactions concerning their structure that may affect their listing. The reference price will be calculated, for the Alcatel Lucent share, based on the average opening price on the Euronext Paris exchange for the 20 trading days preceding the end of each 1-year period, and for the shares of the other issuers, on a similar basis on the main exchange where they are listed.

The evolution of the Alcatel Lucent share price and that of the other issuers is measured over a period of 4 years:

- At the end of each 1-year period, each year corresponding to 25% of the rights, in order to measure the performance each year;
- and at the end of the 4th period for the final determination of the number of rights upon expiration of the vesting period, in order to measure the performance of the Alcatel Lucent share price between the grant date and the end of the 4th period (see Section 8.1.6 "Performance reviews for the stock option plans").

Depending on the performance of the Alcatel Lucent share price, a coefficient ranging from 0% to 100% is used to calculate the number of rights acquired during each vesting period. No rights are vested if Alcatel Lucent's share price is last in this ranking. The Board of Directors determines, on the basis of an analysis validated each year by an audit firm contracted for this purpose, whether or not the performance condition has been satisfied.

For the purpose of determining the final number of stock options vested at the end of the 4-year vesting period, the performance of the Alcatel Lucent share and of the shares of the other issuers in the panel is measured for the period from the grant date to the end of the 4th period to obtain a new ranking. On the basis of this ranking, a new coefficient may be used in order to calculate the total vesting for the recipient, if it is more favorable than the ranking on each anniversary date. In that case, the number of shares vested in the last period is adjusted accordingly.

Achievement level observed for fiscal year 2014. With respect to the October 1, 2010 plan (400,000 stock options, before adjustment), the overall achievement level for each plan, calculated at the end of Period 3 due to the departures of recipients, is 50%.

With respect to the March 1, 2011 plan (400,000 stock options, before adjustment), the overall achievement level, calculated at the end of Period 2 due to the departures of recipients, is 31.25%.

With respect to the March 17, 2010 plan (1,980,000 stock options, before adjustment), the ranking and coefficient obtained at the end of the annual performance reviews carried out on March 15, 2013 and March 14, 2014 are 10 and 50% for the 2013 review and 1 and 100% for the 2014 review. At the end of the vesting period, the ranking and coefficient obtained for the final review are 5 and 100%, respectively. Therefore, the overall achievement level obtained at the end of the vesting period of the plan is 100%.

8.1.6 Performance reviews for the stock option plans

The following plans were subject to a performance review during fiscal years 2013 and/or 2014.

Date of plan	Number of options granted before adjustment	Number of options granted after adjustment	Exercise price in Euros before adjustment	Exercise price in Euros after adjustment	Exercise period	Performance condition	Performance review Period 1	Performance review Period 2	Performance review Period 3	Performance review Period 4	Global level of achievement
12/31/2008	1,700,000	1,758,199	2.00	1.893	12/31/2009 to 12/30/2016	Share price performance applied to 50% of the grant	50% *Rank 10*	50% *Rank 10*	0% *Rank 12*	50% *Rank 9*	68.75%
03/18/2009	2,600,000	2,715,420	2.00	1.893	03/18/2010 to 03/17/2017	Share price performance applied to 50% of the grant	100% *Rank 4*	100% *Rank 4*	0% *Rank 13*	50% *Rank 10*	81.25%
03/17/2010	1,980,000	2,087,320	2.40	2.271	03/17/2011 to 03/16/2018	Share price performance applied to 50% of the grant	100% *Rank 4*	0% *Rank 13*	50% *Rank 10*	100% *Rank 1*	100%
07/01/2010	400,000	408,514	2.20	2.082	07/01/2011 to 06/30/2018	Share price performance applied to 50% of the grant	100% *Rank 1*	0% *Rank 13*	_	_	37.5%*
10/01/2010	400,000	422,703	2.30	2.176	10/01/2011 to 09/30/2018	Share price performance applied to 50% of the grant	_	0% *Rank 11*	100% *Rank 1*	_	50%**
03/01/2011	400,000	422,720	3.20	3.028	03/01/2012 to 02/28/2019	Share price performance applied to 50% of the grant	0% *Rank 11*	50% *Rank 9*	_	_	31.25%*
03/16/2011	1,400,000	1,472,625	3.70	3.501	03/16/2012 to 03/15/2019	Financial performance criterion applied to 50% of the grant	33%	0%	0%	89%	30.5%
03/14/2012	1,100,000	1,157,486	2.00	1.893	03/14/2013 to 03/13/2020	Financial performance criterion applied to 50% of the grant	0%	0%	89%		

** The level of achievement has been calculated over 2 years given that there are no longer any beneficiaries after period 2.*

*** The level of achievement has been calculated over 3 years given that there are no longer any beneficiaries after period 3.*

For details on the performance conditions, performance monitoring and the level achieved, see Section 8.1.5 "Stock options".

8.1.7 Summary tables for the stock option plans

AMF Table No. 9: Information on the largest grants or exercises for fiscal year 2014

Pursuant to the provisions of Article L. 225-184 of the French Commercial Code, the table below provides information for fiscal year 2014 with respect to the employees who are not Executive Directors, and who received the ten largest grants or were issued the ten largest numbers of shares upon exercise of stock options:

	Number of stock options granted	Weighted average price	Plans
10 largest employees stock options grants	No grant for fiscal year 2014		
10 largest employees stock options exercises	1,656,487	€2.83	Plan of December 31, 2008 Plan of March 18, 2009 Plan of March 17, 2010 Plan of July 1, 2010 Plan of March 14, 2012

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History of Alcatel Lucent stock option plans at December 31, 2014

Date of the Board of Directors Meeting	Total potential number of shares[4]: Exercise price (in Euros): before adjustment[1]	after adjustment[1]	Total number of options granted: before adjustment[1]	after adjustment[1]	Granted to Executive Directors[2]: before adjustment[1]	Granted to Leadership team[3]: before adjustment[1]	Total number of recipients	Options exercise period: From	To	Adjusted number of options exercised	Adjusted number of options cancelled	Adjusted outstanding options as of 12/31/2014
2006												
03/08/2006	11.70	11.072	17,009,320	17,726,571	390,400	1,318,822	8,001	03/08/2007-03/08/2010	03/07/2014	-	17,726,571	-
05/15/2006	12.00	11.356	122,850	129,364			53	05/15/2007	05/14/2014	-	129,364	-
08/16/2006	9.30	8.801	337,200	354,131			217	08/16/2007-08/16/2010	08/15/2014	-	354,131	-
11/08/2006	10.40	9.841	121,100	125,716			26	11/08/2007-11/08/2010	11/07/2014	-	125,716	-
2007												
03/01/2007	10.00	9.463	204,584	216,078			42	03/01/2008-03/01/2011	02/28/2015	-	119,590	96,488
03/28/2007	9.10	8.611	40,078,421	42,039,910	800,000	2,130,000	15,779	03/28/2008-03/28/2011	03/27/2015	-	22,352,173	19,687,806
08/16/2007	9.00	8.517	339,570	357,285			119	08/16/2008-08/16/2011	08/15/2015	-	230,943	126,342
11/15/2007	6.30	5.962	294,300	306,308		210,000	33	11/15/2008-11/15/2011	11/14/2015	-	270,688	35,620
2008												
03/25/2008	3.80	3.596	47,987,716	50,294,368		2,050,000	14,414	03/25/2009-03/25/2012	03/24/2016	1,429,745	23,157,670	25,706,953
04/04/2008	3.80	3.596	800,000	800,000	800,000		1	04/04/2009-04/04/2012	03/04/2016	-	800,000	-
07/01/2008	4.40	4.164	223,700	235,935			64	07/01/2009-07/01/2012	06/30/2016	-	139,385	96,550
09/17/2008[3]	3.90	3.691	250,000	258,869	250,000		1	09/17/2009-09/17/2012	09/16/2016	-	258,869	-
12/31/2008[3]	2.00	1.893	2,052,400	2,128,464		1,700,000	88	12/31/2009-12/31/2012	12/30/2016	1,336,786	686,624	105,054
2009												
03/18/2009	2.00	1.893	30,656,400	31,986,394			76,641	03/18/2010-03/18/2011	03/17/2017	6,164,138	4,679,713	21,142,332
03/18/2009	2.00	1.893	21,731,110	22,762,455	1,000,000	2,600,000	11,113	03/18/2010-03/18/2013	03/17/2017	6,963,033	7,018,165	8,781,292
07/01/2009	2.00	1.893	443,500	467,229			54	07/01/2010-07/01/2013	06/30/2017	116,216	172,866	178,147
10/01/2009	2.90	2.744	282,500	292,589			25	10/01/2010-10/01/2013	09/30/2017	28,197	181,429	82,963
12/01/2009	2.50	2.366	108,400	114,562			16	12/01/2010-12/01/2013	11/30/2017	55,483	40,055	19,024
2010												
03/17/2010[3]	2.40	2.271	18,734,266	19,690,026	1,000,000	1,980,000	10,994	03/17/2011-03/17/2014	03/16/2018	3,810,045	5,032,309	10,847,736
07/01/2010[3]	2.20	2.082	721,000	746,293		400,000	65	07/01/2011-07/01/2014	06/30/2018	236,110	370,053	140,130
10/01/2010[3]	2.30	2.176	851,000	896,493		400,000	54	10/01/2011-10/01/2014	09/30/2018	65,917	344,521	486,055
12/09/2010	2.20	2.082	125,000	132,637			27	12/09/2011-12/09/2014	12/08/2018	6,109	59,419	67,109
2011												
03/01/2011[3]	3.20	3.028	605,500	637,681		400,000	39	03/01/2012-03/01/2015	02/28/2019	-	529,351	108,330
03/16/2011[3]	3.70	3.501	11,251,125	11,821,386	1,300,000	1,400,000	8,178	03/16/2012-03/16/2015	03/15/2019	-	4,044,907	7,776,479
06/01/2011	4.20	3.974	414,718	434,371			61	06/01/2012-06/01/2015	05/31/2019	-	254,132	180,239
09/01/2011	2.50	2.366	171,000	179,479			44	09/01/2012-09/01/2015	08/31/2019	11,096	47,369	121,014
12/01/2011	2.00	1.893	145,500	153,791			45	12/01/2012-12/01/2015	11/30/2019	11,551	37,130	105,110
2012												
03/14/2012	2.00	1.893	10,770,255	11,343,749		1,100,000	7,950	03/14/2013-03/14/2016	03/13/2020	1,052,376	2,498,065	7,793,308
08/13/2012	2.00	1.893	390,400	401,185			41	08/13/2013-08/13/2016	08/12/2020	11,096	259,561	130,528
12/17/2012	2.00	1.893	94,500	99,885			27	12/17/2013-12/17/2016	12/16/2020	2,245	21,407	76,233
2013												
07/12/2013	1.50	1.419	22,417,900	23,685,235			2,051	07/12/2014-07/12/2015	07/11/2021	585,443	2,534,657	20,565,135
TOTAL			**229,735,235**	**240,818,439**	**5,540,400**	**15,688,822**	**156,263**			**21,885,586**	**94,476,833**	**124,455,977**

(1) In the context of the capital increase with preferential subscription rights dated December 9, 2013, the rights of the beneficiaries of stock options and performance shares were preserved through an adjustment mechanism of conversion rules. The principle of the adjustment is based on the application of an adjustment ratio of 1.056756449 (i) to the number of securities granted to each beneficiary, rounded up to the next whole number and (ii) to the exercise price of the stock option plans, by division, rounded up to three decimal places. Depending on system constraints specific to the banks in charge of managing the plans, the number of securities initially granted is adjusted by taking into account the securities that have already vested or been cancelled.

(2) 2006: Mr. Tchuruk, 2006 to 2008: Mrs. Russo, 2008 to 2013: Mr. Verwaayen.

(3) 2006: 14 members, 2007: 9 members, 2008: 11 members, 2009: 14 members, 2010: 16 members, 2011: 15 members, 2012: 11 members, 2013: 0 member.

(4) The number of shares that may be acquired depends on the level of satisfaction of certain performance conditions. For an annual performance review, see Section 8.1.6 "Performance reviews for the stock option plans."

8.1.8 Collective profit-sharing agreement and collective pension savings plan (PERCO)

The Group's French companies have set up in France collective profit-sharing agreements and employee savings plans based on the recommendations of the senior management. Furthermore, foreign subsidiaries have introduced profit-sharing plans for their employees in compliance with the relevant local laws, when such laws allow it.

On February 23, 2009, the Group's French companies and the trade unions representing these companies signed a collective agreement concerning the creation of a Collective Pension Savings Plan (PERCO). PERCO may be used by employees of the Group's French companies to top up their future pensions or to assist them, for example, in the purchase of their home. This plan allows them to make payments into a long-term savings plan and to receive matching contributions from Alcatel Lucent. PERCO is an addition to the existing employee savings plans.

Until June 25, 2009, only payments made into Alcatel Lucent's Employee Shareholder Fund (Fonds Actionnariat Alcatel-Lucent) could be matched by employer contributions (with a blocking period of 5 years). To encourage employees to contribute to the pension savings plan, the signatories of the PERCO agreement decided to set up a joint matching contribution allowance for the PERCO and the Alcatel Lucent Employee Shareholder Fund for all of the Group's French companies. Alcatel Lucent will top up any profit-sharing or voluntary payments made into the plan.

Each year an employee may invest up to €3,000 in PERCO and/or the Alcatel Lucent Employee Shareholder Fund, and benefit from a maximum employer gross contribution of €2,000. The employer contribution is calculated as follows:

- 100% of the employee's payments up to €1,000 of accumulated payments;
- 70% of the employee's payments, when the accumulated payments are between €1,001 and €2,000;
- 30 % of the employee's payments, when the accumulated payments are between €2,001 and €3,000.

8.2 Status of the Executive Directors and officers

8.2.1 Compensation policy for the Executive Directors and Officers

The compensation policy for the Executive Directors is established in accordance with the recommendations of the AFEP-MEDEF Code. Upon the recommendation of the Compensation Committee, the Board of Directors determines all compensation and long-term benefits awarded to the Chairman of the Board and the Chief Executive Officer.

Role of the Board of Directors and of the Compensation Committee

The Board of Directors ensures a balance between the various components of the Executive Directors' compensation (fixed and variable compensation, grants of stock options, performance shares, Performance Units, severance pay and additional pension benefits, if any). It also ensures that these components comply with the principles of comprehensiveness and clarity, balance and reasonableness, benchmarking and consistency, as set forth in the AFEP-MEDEF Code.

Proposals for the compensation of the Chairman and of the Chief Executive Officer, as well as of the Directors and key executives, are established under the responsibility of the Compensation Committee. The Compensation Committee evaluates all compensation paid or attributed to them, including benefits relating to retirement, severance pay and other benefits of any nature.

The Committee's recommendations relate to the annual evaluation of the Group's management and the setting of the fixed and variable compensation paid to key executives. This includes the proposals of base salary and their potential increase, the rules for determining the variable part of their compensation, the targets against which performance is measured and the review of the achievement level of the targets.

The Compensation Committee also reviews the policies relating to the grant of stock options and performance shares to the Group's officers, and in particular to the members of the Leadership Team.

General principles applied to the long-term compensation of the Executive Directors

Pursuant to the AFEP-MEDEF Code, all grants of performance shares and stock options to the Executive Directors are subject to the satisfaction of one or more performance conditions as determined by the Board of Directors. According to the authorization given by the Shareholders' Meeting of May 28, 2014, these grants must account for less than 6% of the total number of employee grants over a period of 38 months. The Board of Directors also determines specific conditions pertaining to the holding periods for shares allocated to the Executive Directors, in accordance with Article L. 225-197-1 of the French Commercial Code, and to the obligation to purchase Alcatel Lucent shares related to the grant of performance shares as provided in the AFEP-MEDEF Code.

Pursuant to the Law of December 3, 2008 to promote earnings from employment, these grants were accompanied by a mechanism providing an interest in the Group's performance for more than 90% of the staff of the French companies of the Group, by way of a supplemental profit-sharing payment.

The Board of Directors did not grant any stock option or performance share to the Executive Directors in 2013 or 2014.

Compensation policy for the Executive Directors

In 2014, the Board of Directors determined the compensation policy for the Executive Directors, taking into account in particular the Company's strategy, as reflected by the Shift Plan.

The compensation of the Chief Executive Officer is determined each year by the Board of Directors based on the recommendation of the Compensation Committee. The performance criteria applicable to his variable compensation and to his long-term compensation are in line with the Group's strategy and transformation objectives. For fiscal year 2014, 50% of his variable compensation depends on achieving the Shift Plan targets and 50% depends on a financial criterion. As regards his long-term compensation, it is composed of Performance Units subject to a presence condition and performance criteria, namely the performance of the share price compared with a panel (weighted at 50%), and the implementation of the Company's strategy (weighted at 50%).

The Chairman's compensation also consists of a fixed portion and long-term compensation based on performance criteria, of which the evaluation criteria are specific to the role and responsibilities of the Chairman of the Board of Directors.

The table below reflects the main criteria adopted with respect to the compensation of the Executive Directors for fiscal year 2014:

	Fixed compensation	Variable compensation	Performance Units
Chairman	Individual skills		50% Qualitative criteria related to the position of Chairman of the Board 50% Contribution to the Company's strategy
CEO	Individual skills	50% Financial criterion 50% Achievement of the targets of the Shift Plan	50% Performance of the share 50% Implementation of the Company's strategy
	Short-term performance		*Long-term performance*

8.2.2 Chairman of the Board of Directors

The compensation of the Chairman of the Board of Directors consists of a fixed annual compensation and a long-term compensation in the form of Performance Units subject to a presence condition at the end of a 2-year vesting period, and to the satisfaction of performance criteria linked to his position as Chairman of the Board.

Annual compensation in cash

The gross compensation of Mr. Philippe Camus was set at €200,000 at the time when he took office. This amount has remained unchanged since he was first appointed in 2008. This compensation represents twice the average compensation of the Directors of the Company and does not include any variable component.

Mr. Philippe Camus does not receive any Director's fee, nor any benefit in kind.

AMF Table N°2: Table summarizing the compensation of the Chairman of the Board of Directors

Mr. Philippe Camus – Chairman of the Board of Directors	Fiscal year 2013		Fiscal year 2014	
(amounts in Euros)	Due	Paid	Due	Paid
Fixed compensation	_	200,000	_	200,000
Variable compensation	_	N/A	_	N/A
Exceptional compensation	_	N/A	_	N/A
Director's fees	_	N/A	_	N/A
Benefits in kind	_	N/A	_	N/A
TOTAL	_	200,000	_	200,000

Long-term compensation

Stock options

Mr. Philippe Camus does not benefit from any Alcatel Lucent stock option.

Performance shares

Mr. Philippe Camus did not benefit from any grant of performance shares in 2014. As a reminder, in order to show his personal commitment toward the Group's recovery, Mr. Philippe Camus relinquished, in 2013, any performance share grant. The Board of Directors duly noted this decision.

However, deeming that the compensation of the Chairman did not reflect the intensity and the quality of his contribution to the governance of the Company, the Board of Directors decided, on the recommendation of the Compensation Committee, to grant him long-term compensation in the nature of Performance Units, in addition to his fixed annual compensation of €200,000.

2014 grant of Performance Units

On March 19, 2014, the Board of Directors decided to grant Mr. Philippe Camus 400,000 Performance Units subject to a 2-year vesting period and to a presence condition as the Chairman of the Board at the end of the vesting period (2016), and to the achievement of performance criteria.

Performance Units are conditional rights which grant the beneficiary the right to receive compensation in cash. The level of satisfaction of the performance objectives will be assessed at the end of the vesting period, in accordance with the decision of the Board of Directors at its meeting of March 13, 2015. Initially, the achievement level of the performance criteria was to be assessed at the end of the first year of the vesting period as well as at the end of the vesting period.

The vesting of the Performance Units will be subject to the satisfaction of two performance criteria:

- 50% based on the implementation of the recommendations resulting from the evaluation of the Board of Directors conducted at the beginning of 2014, as approved by the Board of Directors;
- 50% based on the Chairman's contribution with respect to the Company's strategy.

Gradual vesting period. The rights to the Performance Units vest over a period of 2 years subject to the satisfaction of the performance criteria. At the end of the 2-year vesting period, the value of each Performance Unit will be determined based on the average price of the Alcatel Lucent share for the 20 trading days preceding March 19, 2016, each Unit being valued at this average of the share price.

Presence condition. The rights attached to the Performance Units will be definitively vested if Mr. Philippe Camus is still the Chairman of the Board of Directors at the end of the 2-year vesting period, that is, on March 19, 2016.

AMF Table N°1: Table summarizing the compensation, stock options and performance shares granted to the Chairman of the Board of Directors

Mr. Philippe Camus – Chairman of the Board of Directors *(amounts in Euros)*	**Fiscal year 2013**	**Fiscal year 2014**
Fixed compensation related to the fiscal year	200,000	200,000
Variable compensation related to the fiscal year	–	–
Benefits in kind	–	–
Subtotal – Actual compensation	**200,000**	**200,000**
Valuation of the stock options granted related to the fiscal year(1)	–	–
Valuation of the performance shares granted related to the fiscal year (1)	–	–
Valuation of the Performance Units granted related to the fiscal year(2)	–	1,157,600
The vesting period of the Performance Units is of 2 years, subject to presence and performance conditions.		
TOTAL	**200,000**	**1,357,600**

(1) No performance shares or stock options were granted to Mr. Philippe Camus during fiscal years 2013 or 2014.

(2) The number of Performance Units granted to Mr. Philippe Camus is 400,000. This grant is valued at €1,157,600, calculated based on the Alcatel Lucent share price on March 19, 2014, the date on which it was granted by the Board of Directors. It does not reflect the level of achievement (partial or total) of the performance conditions attached to the Performance Units and assessed over 2 years. The gains actually realized will depend on the value of each Performance Unit, calculated based on the average Alcatel Lucent share price over the 20 trading days preceding March 19, 2016. Based on the Alcatel Lucent share price on March 13, 2015, of €3.72, the grant is valued at €1,488,000.

Grant of performance shares prior to 2013

On March 14, 2012, the Board of Directors decided to grant 200,000 performance shares (before adjustment) to Mr. Philippe Camus, subject to the satisfaction of the presence condition and of the performance conditions based on a quantitative criterion (share price performance), weighted at 30%, and qualitative criteria (related to the position of the Chairman of the Board of Directors), weighted at 70%.

Quantitative criterion. The evolution of the Alcatel Lucent share price is based on the rules defined for the Group annual plan to the benefit of employees and management except the officers (see Section 8.1.2 "Performance shares").

Qualitative criteria. These criteria, tied to targets specific to the position of Chairman of the Board of Directors, were defined by the Board of Directors. Their achievement level was assessed at the end of the vesting period of these rights, at the meeting of the Board of Directors on March 19, 2014.

The criteria defined by the Board of Directors in March 2012 were as follows:

- to lead the Board in its duties to define the strategic goals of the Group;
- to ensure that the Board composition is consistent with its missions and with the recommendations of the AFEP-MEDEF Code;
- to ensure the implementation of the recommendations agreed by the Board on the basis of the Board's evaluation performed at the beginning of 2012.

Performance review of qualitative criteria. Regarding the Board's duties in defining the Group's strategic goals under the leadership of its Chairman, the Board of Directors was heavily involved in discussions about the determination of the elements of the Shift Plan in 2013.

Regarding the Board's composition, it includes a set of varied competencies and strong personalities, with a good balance between different nationalities reflecting the roots and the international culture of Alcatel Lucent. Moreover, the number of Directors as well as their independence are satisfactory. These characteristics of the Board were reinforced with the selection of two Directors, Ms. Véronique Morali and Mr. Francesco Caio, who have Telecom backgrounds as well as finance expertise. The nomination of Mrs. Véronique Morali also allowed the Board of Directors to maintain the representation of women at a good level (27%) after the departure of Lady Sylvia Jay.

Regarding the implementation of the 2012 recommendations following the Board's evaluation, two main points were highlighted, that is, the allocation of tasks between the Board of Directors and the Committees, and the implementation of sessions dedicated to certain strategic matters. According to the results of the 2014 Board evaluation, all of the members of the Board shared the view that the Committees play their role with remarkable commitment. All Board Members attend most of the Committee meetings, which enables them to be particularly aware of the activities of the Committees and facilitates discussion and decision-making during the plenary Board sessions.

Achievement levels observed in 2014. The ranking and coefficient obtained at the end of the Alcatel Lucent share price performance reviews for 2013 and 2014, are 9 and 50% and 1 and 100% respectively. At its meeting of March 19, 2014, the Board of Directors, upon the recommendation of the Corporate Governance and Nominating Committee, carried out a performance review of the qualitative criteria which showed a performance rate of 150% reflecting an overall achievement level of 100% at the end of the 2-year vesting period. Therefore, the total number of shares issued to Mr. Philippe Camus was 211,352 shares (after adjustment). These shares will remain non-transferable until the end of his position as Chairman of the Board of Directors.

Obligation to hold vested shares. Until such time as he ceases his functions as Chairman of the Board, Mr. Philippe Camus must hold all the Alcatel Lucent shares resulting from (i) the grant of performance shares pursuant to his stock-based compensation and (ii) the acquisition of Alcatel Lucent shares on the market throughout his term of office. As a result, these shares cannot be sold before the end of his position as Chairman of the Board.

Purchase obligation. Mr. Philippe Camus is subject to an obligation to purchase two Alcatel Lucent shares per five performance shares acquired at the end of the vesting period. This requirement is effective at the end of the legal holding period for shares (that is, 4 years after the grant date). However, it is suspended as long as the value of the Alcatel Lucent shares held by the Chairman is at least equal to 40% of his annual compensation net of tax.

In compliance with the AFEP-MEDEF Code, Mr. Philippe Camus has agreed not to use hedging instruments concerning the performance shares he receives.

Plan of 03/14/2012	Performance conditions		Review of conditions				Global level of achievement
		Weighting	Period 1	Period 2	Period 3	Period 4	
Quantitative performance criterion		30%	50%	100%			
Alcatel Lucent's share price performance			*Rank 9*	*Rank 1*			
Qualitative performance criteria		70%		150%			
To lead: the Board in its duties to define the strategic goals of the Group					Holding*	Holding*	100%
To ensure that the Board composition is consistent with its missions and with the recommendations of the AFEP-MEDEF Code							
To ensure the implementation of the recommendations agreed by the Board on the basis of the Board's evaluation performed at the beginning 2012							

* *The shares will vest at the end of period 2. With respect to the mandatory holding of the vested performance shares, Mr. Philippe Camus must, beyond the holding period of two years (Periods 3 and 4), keep these performance shares until the end of his functions.*

AMF Table N°6: History of performance shares granted to Mr. Philippe Camus

Date of plan	Number of shares		Number of shares vested				Unit valuation(2)
	before adjustment	after adjustment	Vesting date (1)	after adjustment	Availability date	Mixed performance conditions	
09/17/2008	100,000		03/11/2010	100,000	03/11/2012	2 financial criteria and 1 qualitative criterion	€3.05
03/18/2009	200,000		03/18/2011	200,000	03/18/2013	3 financial criteria and 1 qualitative criterion	€1.19
03/17/2010	200,000		03/17/2012	200,000	03/17/2014	1 financial criterion and 1 qualitative criterion	€2.40
03/16/2011	200,000		03/16/2013	170,000	03/16/2015	Alcatel Lucent's share price performance and 1 qualitative criterion	€3.48
03/14/2012	200,000	211,352	03/14/2014	211,352	03/14/2016	Alcatel Lucent's share price performance and 3 qualitative criteria	€1.64
TOTAL	**900,000**			**881,352**	**–**	**–**	**–**

(1) *This is the earliest date on which performance shares can become fully vested, with full ownership to be acquired on the first working day following acknowledgment at the end of the vesting period, provided that the presence and performance conditions have been met.*

(2) *The unit value (rounded to the nearest tenth of a euro) corresponds to the value in the consolidated financial statements on the date of grant. This value results from theoretical computations, and the actual gains that may be made will depend on the share price on the date of sale of Alcatel Lucent shares. The unit value for the 03/14/2012 plan was calculated on the basis of a share price of €1.80 on the same date.*

Benefits after termination of functions

Mr. Philippe Camus has not received any commitment from the Company or any other Group company with respect to the termination of his duties as Chairman of the Board or the period following termination. Furthermore, he is not entitled to any supplemental pension scheme.

AMF Table N°10: Table summarizing the situation of the Chairman of the Board of Directors

Mr. Philippe Camus	Employment contract	Supplemental pension scheme	Termination payment or benefits owed or likely to become owed as a result of the termination or change of position	Compensation paid pursuant to a non-compete clause
Chairman of the Board of Directors appointed on October 1, 2008. Term renewed at the Shareholders' Meeting on 05/07/2013	None	None	None	None

Apart from the above-described contractual commitments, there is no other commitment concerning the Chairman of the Board of Directors with respect to compensation, indemnities or benefits owed, or likely to be owed, by reason of the termination or change of his position or following such termination or change of position.

Compensation due or granted to the Chairman of the Board of Directors for fiscal year 2014, submitted to the opinion of the shareholders

Pursuant to the AFEP-MEDEF Code (recommendation 24.3), Code which the Company uses as reference pursuant to Article L. 225-37 of the French Commercial Code, the following components of the compensation due or granted with respect to the then ended fiscal year to each Executive Director are subject to the consultative opinion of the shareholders:

- fixed portion;
- annual variable portion and, as the case may be, the multi-annual variable portion, with targets that are used to determine this variable portion;
- exceptional compensation;
- stock options, performance shares and any other components of long-term compensation;
- welcome bonus and severance pay ;
- supplemental pension scheme;
- benefits of any kind.

Compensation due or granted during the past fiscal year

Nature	Amount (in Euros)	Presentation
Fixed annual compensation	200,000	Gross fixed annual compensation decided by the Board of Director's meeting held on September 17, 2008 upon a proposal from the Compensation Committee. This amount has remained unchanged since 2008.
Annual variable compensation	N/A	Mr. Philippe Camus has not received any annual variable compensation.
Annual deferred variable compensation	N/A	Mr. Philippe Camus has not received any annual deferred variable compensation.
Multi-annual variable compensation	N/A	The Board of Directors, during its meeting held on March 19, 2014, decided to award 400,000 Performance Units with a 2-year vesting period based on a condition of presence and two performance conditions: • Corporate governance: 50% based on the implementation of the recommendations resulting from the evaluation of the Board of Directors conducted at the beginning of 2014, as approved by the Board of Directors; • Contribution to the Company's strategy: 50% based on the contribution of the Chairman to the Company's strategy. The achievement level of the targets will be assessed at the end of the vesting period. Performance Units are conditional rights which grant the beneficiary the right to receive a compensation in cash. The rights to these Performance Units vest over a period of two years subject to the satisfaction of the performance criteria. At the end of the 2-year vesting period, the value of each Performance Unit will be determined based on the average share price of Alcatel Lucent for the 20 trading days preceding March 19, 2016, each unit being equal to the average of the share price.
Exceptional compensation	N/A	Mr. Philippe Camus has not received any exceptional compensation.
Stock options, performance shares or any other long-term compensation	N/A	Mr. Philippe Camus has not received any stock option or performance share.
Director's fees	N/A	Like the other Executive Directors, Mr. Philippe Camus has not received any attendance fee.
Benefits of any nature	N/A	Mr. Philippe Camus has not received any benefit of any nature.

Benefits due or granted during the past fiscal year and on which shareholders have voted or must vote under the regulated agreements and commitments rules

Nature	Amount	Presentation
Severance pay	N/A	Mr. Philippe Camus has not received any severance pay.
Non-compete clause	N/A	Mr. Philippe Camus does not benefit from any non-compete indemnity.
Supplemental pension schemes	N/A	Mr. Philippe Camus does not benefit from any supplemental pension schemes.

8.2.3 Chief Executive Officer

The total annual compensation of Mr. Michel Combes consists of a fixed portion and a variable portion, plus long-term compensation and benefits. The variable compensation is determined each year by the Board of Directors according to pre-defined performance criteria.

The compensation of the Chief Executive Officer is determined each year by the Board of Directors upon the recommendation of the Compensation Committee. The performance criteria applicable to his variable compensation and to his long-term compensation reflect the Group's strategy and transformation objectives and the implementation of the Company's strategy, as reflected by the Shift Plan.

Annual compensation

The criteria for determining the compensation of the CEO are specific and pre-established, in accordance with the AFEP-MEDEF Code. The Board of Directors, at its meeting of March 19, 2014, determined the components of the compensation of Mr. Michel Combes, as CEO.

2014 Fixed annual compensation. He receives a gross fixed annual compensation of €1.2 million, which has not changed since he took office on April 1, 2013.

2014 variable compensation. The Chief Executive Officer may also receive variable compensation ranging from 0% to 200% of his fixed compensation, with a target bonus of 100% when targets are reached, these targets having been set at the beginning of the fiscal year.

The level of achievement for fiscal year 2014 was determined according to the two following performance criteria:

- 50% based on the Free Cash Flow, with the same target as that applicable to all employees of the Group, according to the terms of the Achievement Bonus Plan (ABP).
- 50% based on the achievement of the targets of the Shift Plan for fiscal year 2014, mainly focused on fixed costs.

At its meeting of February 5, 2015, the Board of Directors, upon the recommendation of the Compensation Committee, and after approval of the financial elements by the Audit and Finance Committee, determined the level of achievement for 2014, that is, 0% based on the Free Cash Flow, and 134% based on the achievement of the Shift Plan targets for fiscal year 2014. As a result, the variable compensation for Mr. Michel Combes for fiscal year 2014 is €804,000, which corresponds to 67% of his fixed compensation.

The Board of Directors determined the level of achievement of the criteria which reflect both the Company's performance and Mr. Michel Combes's contribution to it.

Regarding the Free Cash Flow, it is the same performance indicator as the one applicable to all employees of the Group, according to the terms of the Achievement Bonus Plan (ABP). The Board of Directors noted that the level of Free Cash Flow has shown significant progress compared to previous years. However, this improvement is widely based on elements being outside the operating cycle, such as the optimization of financial costs, pension expense and restructuring costs. Thus, upon the proposal of the Management Committee and with the approval of the Board of Directors, it was decided to determine the level of achievement of this performance indicator after restating the said elements, which led to a performance level of 0%.

Regarding the target of reducing fixed costs as part as the Shift Plan for fiscal year 2014, the net fixed cost reduction amounts to €340 million, totaling €675 million of savings since the implementation of this plan in 2013 (for a cumulative target of €950 million euros at the end of the plan). The Board of Directors noted the performance level of 134%, corresponding to an excess of €74 million compared to the target reduction determined at the beginning of the fiscal year (performance being at 100% for achieved target) given that an excess of €109 million would have generated a performance score of 150%.

Benefits in kind. Mr. Michel Combes does not receive any benefit in kind. A company car with a driver is made available to him as part of his functions.

2015 fixed and variable compensation. For fiscal year 2015, the Board of Directors decided to maintain the gross fixed annual compensation of Mr. Michel Combes as Chief Executive Officer at the level agreed when he took office. It also determined the performance criteria which will be applied for fiscal year 2015 for the determination of his variable compensation, as follows:

- 50% based on the achievement of corporate targets, namely the segment operating cash flow and the level of customer satisfaction, with the same targets as those applicable to all employees of the Group, according to the terms of the Achievement Bonus Plan (ABP);
- 50% based on the satisfaction of the objectives of the Shift Plan targets for fiscal year 2015, mainly focused on reducing fixed costs.

The Corporate performance indicator is broken down as follows: the segment operating cash flow accounts for 40% of the total performance criteria and the level of customer satisfaction accounts for 10% of the total performance criteria (together they account for 50% of the performance criteria). The level of customer satisfaction will be measured through a customer survey.

AMF Table N°2: Table summarizing the compensation of the Chief Executive Officer

Mr. Michel Combes – CEO	Fiscal year 2013		Fiscal year 2014	
(amount in Euros)	Due	Paid	Due	Paid
Fixed compensation	–	900,000	–	1,200,000
Variable compensation	616,500	–	804,000	616,500(1)
Exceptional compensation	–	–	–	–
Director's fees	–	–	–	–
Benefits in kind	–	–	–	–
TOTAL	**616,500**	**900,000**	**804,000**	**1,816,500**

(1) 2013 due variable compensation, paid in 2014.

Long-term compensation

The Board of Directors decided in 2013 to grant Mr. Michel Combes Performance Units with a vesting period of 3 years and subject to presence and performance conditions. Performance Units are conditional rights which grant the beneficiary the right to receive compensation in cash. Their vesting is subject to the fulfillment of two performance criteria.

For fiscal year 2014, the Board of Directors decided the principle of the grant to Mr. Michel Combes of long-term compensation composed of 700,000 Performance Units and 700,000 stock options. With respect to the 700,000 Performance Units which were effectively granted, they will vest after a 3-year period and are subject to a presence condition and to the achievement of performance criteria. With respect to stock options, to date, the Board of Directors has not granted any since the effective date of the authorization given at the Shareholders' Meeting of May 28, 2014 and the decision of the Board of Directors on the principle of the grant of 700,000 stock options to Mr. Michel Combes, either to the employees of the Group or to the Executive Directors.

Grant of 2015 Performance Units

The Board, at its meeting of March 13, 2015 decided to grant Mr. Michel Combes 685,000 Performance Units subject to the presence condition that he remain Chief Executive Officer until the end of the 3-year vesting period (2018), and to the achievement of performance criteria applicable to the entire grant. The two performance criteria are the following:

Implementation of the Company's strategy: 50% of the vesting of the rights is based on the implementation and achievement of the strategic plan, it being noted that the reference plan for fiscal year 2015 is the Shift Plan.

Share performance: 50% of the vesting of the rights is based on the evolution of the Alcatel Lucent share price compared with a representative panel of 10 solution and service providers in the telecommunication equipment sector (Adtran, Amdocs, Arris, Ciena, Cisco, CommScope, Ericsson, Juniper, Nokia and ZTE), it being noted that the evolution of the Alcatel Lucent share price will be assessed using the same evaluation method as the one applicable to the 2014 grant of Performance Units mentioned below.

Characteristics of the grant: the satisfaction of these performance conditions will be assessed at the end of the 3-year vesting period. The final acquisition of the rights will be subject to the presence of Mr. Michel Combes as Chief Executive Officer at the end of the vesting period in 2018. The value of each Performance Unit will be determined based on the average of the Alcatel Lucent share price for the 20 trading days preceding March 13, 2018. The Board of Directors has decided to cap the resulting amount at 200% of the total target compensation (fixed and variable target), subject to presence and performance conditions, in compliance with the AFEP-MEDEF Code.

2014 grant of Performance Units

The Board of Directors, at its March 19, 2014 meeting, decided to grant Mr. Michel Combes 700,000 Performance Units with a 3-year vesting period, subject to the presence condition that he remain Chief Executive Officer until the end of the 3-year vesting period (2017), and to the achievement of performance criteria applicable to the entire grant, as follows:

Implementation of the Company's strategy: 50% of the vesting of the rights is based on the achievement of the strategic targets of the Company as set forth in its financial plan for the vesting period, it being specified that the reference plan is the Shift Plan for fiscal year 2014. The achievement level of the targets will be assessed each year.

The Board determined the performance targets attached to the implementation of the Company's strategy, applicable for 2015, which will be based on diversification, measured according to the growth of sales achieved outside the traditional business of the Company (Service Providers), such as sales to Governments and Large Enterprises (sectors such as Oil & Gas, Transport, Utilities).

Share price performance: 50% of the vesting of the rights is based on the performance of the Alcatel Lucent share price measured each year on March 19th against the share price of a panel of 10 solution and service providers in the telecommunication equipment sector (Adtran, Amdocs, Arris, Ciena, Cisco, CommScope, Ericsson, Juniper, Nokia and ZTE), with similar evaluation grids and methodology as those used for the performance shares granted to employees under the new authorization of the Shareholders' Meeting of May 28, 2014. The performance rate is based on the Alcatel Lucent share price ranking compared with the panel, according to the method applicable to the evaluation of performance for the members of the Leadership Team (see Section 8.1.2 "Performance Shares") and varies between 0% and 100%. At each anniversary date of the grant, the performance rate applies to one third of the grant, the final vesting being conditioned by the achievement of the presence condition at the end of the 3-year vesting period:

- if the Alcatel Lucent share price underperforms compared to those of the companies in the panel (its evolution is less than that of the panel median), no rights will vest;
- if the Alcatel Lucent share price performs as well as those of the companies in the panel (its evolution is equal to that of the panel median), 75% of the rights relating to the period considered will vest;
- if the Alcatel Lucent share price overperforms compared to those of the companies in the panel by at least 10% with regard to the median, 100% of the rights granted relating to the period considered will vest;
- between these two limits (median and median + 10%), the number of rights that vest will be linearly proportional, from 75% to 100%.

The Board of Directors will determine, on the basis of an analysis validated by an audit firm contracted for this purpose, whether or not the performance conditions described above have been satisfied.

Gradual vesting period. The rights to these Performance Units vest over a period of three years subject to the satisfaction of the performance criteria. At the end of the 3-year vesting period, the value of each Performance Unit will be determined based on the average share price of the Alcatel Lucent share for the 20 trading days preceding March 19, 2017, each Unit being equal to the average of the share price.

Level of achievement for fiscal year 2014. The Board of Directors, upon the recommendation of the Compensation Committee, and after approval of the financial elements by the Audit and Finance Committee, determined the level of achievement with respect to fiscal year 2014 of the first criterion, namely, the implementation of the Company's strategy, that is 100% based on the achievement of the targets of the Shift Plan. The results of the Company for the fiscal year 2014 reflect all the progress made during the year. The level of achievement of the targets linked to the second criterion, namely the evolution of the price of the Alcatel share, is determined at the anniversary date of the plan and will be communicated on the Company's website after approval by the Board.

Presence condition. The rights attached to the Performance Units will be definitively vested if Mr. Michel Combes is still the Chief Executive Officer at the end of the 3-year vesting period, that is on March 19, 2017.

2013 grant of Performance Units

The Board of Directors, at its March 7, 2013 meeting, decided to grant Mr. Michel Combes 1,300,000 Performance Units with a 3-year vesting period from the date on which he took office, on April 1, 2013, subject to the presence condition that he remain Chief Executive Officer until the end of the 3-year vesting period (2016), and to the achievement of performance criteria applicable to the entire grant, as follows:

Implementation of the Company's strategy: With respect to fiscal year 2013, 50% of the vesting of the rights is based on the definition and the implementation of the Company's strategy in order to achieve the Performance Program as described in the information memorandum to lenders made available on December 14, 2012. Upon the recommendation of the Compensation Committee, the Board of Directors decided to update the performance criterion relating to the definition and the implementation of the Company's strategy for fiscal year 2014 in order to take into account the components of the Shift Plan announced on June 19, 2013, and more particularly, the divestments to be made in 2014 in execution of the Plan. The achievement level of the targets will be assessed each year.

The Board determined the performance targets attached to the implementation of the Company's strategy, applicable for 2015, which will be based on profitability, measured according to the Gross Margin indicator.

Share price performance: 50% of the vesting of the rights is based on the performance of the Alcatel Lucent share price measured each year on April 1st against the share price of a panel of 10 solution and service providers in the telecommunication equipment sector (Adtran, Arris, Ciena, Cisco, Ericsson, F5 Networks Juniper, Motorola Solutions Inc., Nokia and ZTE), with the same evaluation grids and methodology as those used for the performance shares granted to employees. The performance rate varies according to the ranking of the Alcatel Lucent share price within this panel, that is: 100% if the Alcatel Lucent share price ranks among the top two; 75% if it ranks from rank 2 to rank 5; 50% if it ranks from rank 6 to rank 9; 0% if it ranks among the last two.

Gradual vesting period. The rights to these Performance Units vest over a period of 3 years subject to the satisfaction of the performance criteria. At the end of the 3-year vesting period, the value of each Performance Unit will be determined based on the average share price of the Alcatel Lucent share for the 20 trading days preceding April 1, 2016, each Unit being equal to the average of the share price.

Level of achievement for fiscal year 2014. The Board of Directors, upon the recommendation of the Compensation Committee, and after approval of the financial elements by the Audit and Finance Committee, determined the level of achievement with respect to fiscal year 2014 of the first criterion, namely, the definition and the implementation of the Company's strategy, that is, 100% based on the achievement of the targets of the Shift Plan and, in particular, for fiscal year 2014, on the basis of the progress in the divestments against the €1 billion target. At the end of fiscal year 2014, the divestment operations completed or announced had reached over 70% of the Shift Plan target. The achievement level of the targets with respect to the second criterion, that is, the performance of the Alcatel Lucent share price, will be determined as of April 1, 2015 and will be announced on the Company's website after approval by the Board of Directors.

Level of achievement for fiscal year 2013. The Board of Directors, upon the recommendation of the Compensation Committee, and after the approval by the Audit and Finance Committee of the financial elements, determined the level of achievement with respect to fiscal year 2013 of the first criterion, namely, the definition and the implementation of the Company's strategy, that is, 100% based on the achievement of the targets of the Performance Program. The achievement level of the targets with respect to the second criterion, that is, the performance of the Alcatel Lucent share price, was assessed on the anniversary date of the grant, that is, April 1, 2014. The Alcatel Lucent share price having ranked in the first position, the condition was achieved at 100%. Considering the achievement level of 100% of the two performance conditions, the global achievement rate for fiscal year 2013 is 100% (which represents 433,333 vested Performance Units, subject to the presence of the CEO at the end of the 3-year vesting period).

Presence condition. The rights attached to the Performance Units will be definitively vested if Mr. Michel Combes is still the Chief Executive Officer at the end of the 3-year vesting period. Subject to the above-mentioned presence and performance conditions, the rights will become available at the end of the three-year period, that is, on April 1, 2016.

AMF Table N°1: Table summarizing the compensation, and the stock options and performance shares granted to the Chief Executive Officer

Mr. Michel Combes – CEO *(amount in Euros)*	**Fiscal year 2013**	**Fiscal year 2014**
Fixed compensation related to the fiscal year	900,000	1,200,000
Variable compensation related to the fiscal year (1)	616,500	804,000
Benefits in kind	–	–
Subtotal - Actual compensation	**1,516,500**	**2,004,000**
Valuation of the stock options granted related to the fiscal year (2)	–	–
Valuation of the performance shares granted related to the fiscal year (2)	–	–
Valuation of the Performance Units granted related to the fiscal year (3)	1,367,600	2 025 800
The vesting period of the Performance Units is of 3 years, subject to presence and performance conditions.		
TOTAL	**2,884,100**	**4,029,800**

(1) Related to the fiscal year and paid in the following year, after the publication of the annual results on the basis of which the achievement level of the annual performance targets is determined.

(2) No performance shares or stock options were granted to Mr. Michel Combes.

(3) 2013: The number of Performance Units granted to Mr. Michel Combes in 2013 is 1,300,000. This grant is valued at €1,367,600, calculated on the basis of the Alcatel Lucent share price on April 2, 2013, the date on which he took office as CEO. Based on the Alcatel Lucent share price on March 13, 2015, of €3.72, the grant is valued at €4,836,000.

2014: The number of Performance Units granted to Mr. Michel Combes in 2014 is 700,000. This grant is valued at €2,025,800, calculated on the basis of the Alcatel Lucent share price on March 19, 2014, the date on which it was granted by the Board of Directors. These amounts do not reflect the level of achievement (partial or total) of the performance conditions attached to the Performance Units and assessed over 3 years. The gains actually realized will depend on the value of each Performance Unit, calculated based on the average Alcatel Lucent share price over the 20 trading days preceding the end of the 3-year vesting period. Based on the Alcatel Lucent share price on March 13, 2015, of €3.72, the grant is valued at €2,604,000.

Pension plan

Since he took office, the CEO has benefited from the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD plan) for the portion of compensation that exceeds eight times the annual French Social Security limit beyond which there is no legal or contractual pension scheme, subject to performance conditions pursuant to applicable law. The system and the method of calculation of the AUXAD plan are similar to those of the AGIRC plan. This pension scheme, established in 1976, has 343 beneficiaries, including approximately 43 executives of the Group who are currently employed by Alcatel Lucent and by its French subsidiaries more than 50%-owned by Alcatel Lucent. AUXAD does not require the beneficiary to be present in the Company at the time of retirement in order to receive the benefit.

Reference compensation and potential rights. The reference compensation includes the basic annual compensation (annual fixed and variable), excluding extraordinary items and variable items pursuant to the long-term compensation plan. On the assumption that performance criteria are reached at 100%, the AUXAD plan would generate a potential annuity of approximately 1% per year for compensation of approximately €1.2 million. Beyond this, this potential annuity could rise to 1.2%. This mechanism does not provide eventual potential rights above 45% of the reference income.

The reference period to calculate the pension benefit is the total period of office(s) of Mr. Michel Combes as Chief Executive Officer.

Performance criteria. The benefit of the pension plan is based on three quantitative performance criteria collectively weighted at 75% (25% each) and two qualitative criteria collectively weighted at 25% (12.5% each):

- The three quantitative criteria correspond to the evolution of (i) revenue, (ii) operating income (loss) and (iii) the Alcatel

Lucent share price in the previous fiscal years, in each case, as compared with a representative sample of companies in the sector consistent with the panel used for the stock option and performance share plans (see the list of companies in Section 8.1.2 "Performance shares").

- The two qualitative criteria correspond to the implementation of the Performance Program and to the evolution of the index reflecting the customer satisfaction.

Achievement level of the quantitative criteria. A performance rate is determined based on the achievement level of the three quantitative performance criteria as follows: 100% if Alcatel Lucent is ranked in the first two (1st-2nd) places, 75% if Alcatel Lucent is ranked between the third and the fifth (3rd-5th) places, 50% if Alcatel Lucent is ranked between the sixth and the tenth places (6th-10th) and 0% if Alcatel Lucent is ranked below the tenth (10th) place.

Global performance rate. Over the reference period, a global performance rate will be calculated based on the achievement level of the quantitative and qualitative criteria in order to determine the rights of the Chief Executive Officer pursuant to this pension plan. If the global performance rate is (i) greater than 85%, 100% of the rights will vest (ii) between 50% and 85%, 75% of the rights will vest (iii) between 25% and 50%, 50% of the rights will vest, and if the global performance rate is less than 25%, no rights will vest pursuant to this plan.

Benefits after termination of functions

Mr. Michel Combes will receive a termination benefit, the amount of which will be equal to one year of the total target compensation (fixed and variable target), subject to performance conditions as required by applicable law. This termination benefit is subject to a performance condition regarding the Company's situation, consisting in the Free Cash Flow, as reported in the Company's audited financial statements, being positive for at least one fiscal year before the end of Mr. Michel Combes' term of office as CEO. The breakdown of the Free Cash Flow is reported in Note 32-b of the 2013 audited consolidated financial statements. It corresponds to the net cash generated (or used) for operating activities (including restructuring cash outlays and the financing of pensions and post-employment benefits), less investments in tangible and intangible assets. This performance condition can only be entirely fulfilled (at 100%) or not fulfilled (0%).

In compliance with the AFEP-MEDEF Code, this termination benefit will only be paid if the following conditions are met: (a) the Board of Directors terminates the CEO in the context of a change of control or strategy and (b) the above-described performance condition is met.

No termination benefit will be due in the following cases: if Mr. Michel Combes (a) is responsible for gross negligence or has engaged in gross misconduct, (b) leaves the Company on his own initiative, (c) changes position within the Group, or (d) is entitled to claim his pension rights within a short time period.

No employment contract exists between Mr. Michel Combes and Alcatel Lucent or its subsidiaries, in accordance with the AFEP-MEDEF Code.

AMF Table N°10: Table summarizing the situation of the Chief Executive Officer

Mr. Michel Combes	Employment contract	Supplemental pension scheme	Termination payment or benefits owed or likely to become owed as a result of the termination or change of position	Compensation related to a non-compete clause
Chief Executive Officer Appointed on April 1, 2013	None	Yes. Please refer to Section 8.2.3 "Chief Executif Officer", paragraph "Pension plan" for more details	Yes. Please refer to Section 8.2.3 "Chief Executive Officer", sub-section "Benefits afer termination of functions" for more details	None

Apart from the above-described contractual commitments, there is no other commitment concerning the Chief Executive Officer with respect to compensation, indemnities or benefits owed or likely to be owed, by reason of the termination or change of his position or following such termination or change of position.

Compensation due or granted to the CEO for fiscal year 2014, submitted to the opinion of the shareholders

Pursuant to the AFEP-MEDEF Code (recommendation 24.3), Code which the Company uses as reference pursuant to Article L. 225-37 of the French Commercial Code, the following components of the compensation due or granted with respect to the then ended fiscal year to each Executive Director are subject to the consultative opinion of the shareholders:

- fixed portion;
- annual variable portion and, as the case may be, the multi-annual variable portion, with targets that are used to determine this variable portion;
- exceptional compensation;
- stock options, performance shares and any other components of long-term compensation;
- welcome bonus and severance pay;
- supplemental pension scheme;
- benefits of any kind.

Compensation due or granted during the past fiscal year

Nature	Amount (in Euros)	Presentation
Fixed annual compensation	1,200,000	The gross fixed annual compensation of Mr. Michel Combes as CEO amounts to € 1.2 million.
Annual variable compensation	804,000	The variable compensation of Mr. Michel Combes' compensation ranges from 0 to 200% of his fixed annual compensation, with a target bonus at 100% for targets reached, and is subject to the achievement of performance criteria. For 2014, two performance criteria were set to measure the level of achievement, namely: ● 50% based on the Free Cash Flow, with the same target as that applicable to all employees of the Group, according to the terms of the Achievement Bonus Plan (ABP); ● 50% based on the achievement of the Shift Plan targets for fiscal year 2014, mainly focusing on fixed costs. At the meeting of the Board of Directors of February 5, 2015, the Board of Directors, upon recommendation of the Compensation Committee and after approval of the financial data by the Audit and Finance Committee, determined the achievement for fiscal year 2014, that is, 0% based on the Free Cash Flow and 134% based on the achievement of the Shift Plan. Therefore, the amount of the variable compensation of Mr. Michel Combes' compensation for fiscal year 2014 is €804,000 and corresponds to 67% of his fixed annual compensation.
Annual deferred variable compensation	N/A	Mr. Michel Combes has not received any deferred variable compensation.
Multi-annual variable compensation	No amount due for fiscal year 2014	The Board of Directors, during its meeting held on March 19, 2014 decided to award 700,000 Performance Units with a 3-year vesting period based on a condition of presence and two performance conditions: ● Implementation of the Company's strategy: 50% of the vesting is based on the achievement of the Company's strategic targets as set forth in its financial plan for the vesting period, it being specified that the reference plan is the Shift Plan for fiscal year 2014. The achievement level of the targets will be assessed each year; ● Share price performance: 50% of the vesting is based on the annual evolution of the Alcatel Lucent share price, measured on March 19 of each year, compared with the evolution of the share price of a panel of 10 solutions and service providers in the telecommunications equipment sector. Performance Units are conditional rights which grant the beneficiary the right to receive a compensation in cash. The rights to these Performance Units vest over a period of three years subject to the satisfaction of the performance criteria. At the end of the 3 year vesting period, the value of each Performance Unit will be determined based on the average share price of Alcatel Lucent for the 20 trading days preceding March 19, 2017, each Unit being equal to the average of the share price.
Exceptional compensation	N/A	Mr. Michel Combes has not received any exceptional compensation.
Stock options, performance shares or any other element of long-term compensation	N/A	Mr. Michel Combes has not received any stock option or performance share.
Director's fees	N/A	Like other Executive Directors, Mr. Michel Combes has not received any attendance fee.
Benefits of any nature	N/A	Mr. Michel Combes benefits from a car with a driver as part of his functions only, which is not a benefit in kind.

Compensation due or granted during the past fiscal year and on which shareholders have voted or must vote under the regulated agreements and commitments rules

Nature	Amount (in Euros)	Presentation
Severance pay	No amount due for fiscal year 2014	• Termination benefit equal to one year of compensation (fixed and target variable remuneration), subject to performance conditions as required by applicable regulation. This termination benefit is subject to a performance condition set regarding the Company's situation, consisting in the Free Cash Flow being positive for at least one fiscal year prior to the end of Mr. Michel Combes' position as CEO, as reported by the Company in its audited consolidated financial statement. • This performance condition can only be either entirely fulfilled (at 100%) or not at all (0%). • In compliance with the AFEP-MEDEF Code, this termination benefit will only be paid if the following conditions are met: (a) the Board of Directors terminates Mr. Michel Combes' as CEO in the context of a change of control or strategy and (b) the performance condition as described above is met. No termination benefit will be due to Mr. Michel Combes in the following cases: (a) he is responsible for gross negligence or has engaged in willful misconduct, (b) he leaves the Company on his own initiative, (c) he changes position within the Group, or (d) he is entitled to claim his pension rights within a short time period. This commitment has been authorised by the Board of Directors' meeting held on March 7, 2013 and has been approved by the Shareholders' Meeting of May 7, 2013 (resolution 11), in accordance with the rules applicable to regulated agreements and commitments.
Non-compete clause	N/A	Mr. Michel Combes does not benefit from any compensation relating to a non-compete clause.
Supplemental pension schemes	No amount due for fiscal year 2014	• Subject to performance conditions as required by law, Mr. Michel Combes will benefit from the private pension plan (AUXAD plan) applicable to all corporate executives of the Group's subsidiaries incorporated in France for the portion of their income that exceeds eight times the annual French Social Security limit beyond which there is no legal contractual pension scheme. This plan is still open. • The pension plan is subject, for 75%, to three quantitative criteria (25% each), corresponding to the evolution of (i) revenues, (ii) operating income and (iii) the Alcatel Lucent share price compared with previous fiscal years, in each case as compared with a representative sample of companies in the sector consistent with the panel used for the stock option and performance share plans, and, for 25%, two qualitative criteria (12.5% each), corresponding to the implementation of the Performance Program and the evolution of the customer satisfaction index. • Over the reference period, the global performance rate will be calculated to determine the rights with respect to this plan. The pension will be calculated based on the achievement level of the quantitative and qualitative criteria in order to determine the rights of the Chief Executive Officer pursuant to this pension plan. If the global performance rate is (i) greater than 85%, 100% of the rights will be vested (ii) between 50% and 85%, 75% of the rights will be vested (iii) between 25% and 50%, 50% of the rights will be vested, and if the global performance rate is less than 25%, no right will be vested pursuant to this plan. • The reference compensation includes the annual compensation (fixed and variable compensation), excluding exceptional compensation and variable components of a long-term incentive plan. Based on performance conditions achieved at 100%, the AUXAD pension plan would generate a potential life annuity of approximately 1% per year for a remuneration of approximately €1.2M. Above, such potential life annuity would amount to approximately 1.2%. Potential rights under this scheme could not exceed 45% of the reference compensation. • This commitment has been authorised by the Board of Directors' meeting held on March 7, 2013 and has been approved by the Shareholders' Meeting of May 7, 2013 (resolution 10) as part of the regulated agreements and commitments.

8.2.4 Management committee

The compensation of the members of the Management Committee* consists of a fixed portion, a variable portion and long-term compensation and benefits based on Group performance criteria reviewed by the Compensation Committee, similar to those applicable to a large number of Group managers, and on their individual performance.

The amount of fixed and variable compensations of the Management Committee amounts to €7 million, including fixed compensation of €4 million. The fixed part of the compensation may also include, where applicable, benefits in kind and expatriation or repatriation allowances as well as housing allowances for expatriates. The variable part for each fiscal year, payable the following year, is defined by the Achievement Bonus Plan (ABP).

Note 29 to the financial statements included elsewhere in this annual report entitled "Related party transactions," summarizes the total compensation and other benefits provided to senior management.

In addition, Directors' fees, if any, received by senior managers for their participation in meetings of the Board of Directors of companies within the Group are deducted from the salaries paid.

Further, upon the recommendation of the Compensation Committee, since April 2014, each member of the Management Committee has the obligation to hold Alcatel Lucent shares is an amount equal to one year's salary, until such time as such person ceases to be a member of the Management Committee. The members of the Management Committee have a 3-year period in order to fulfill this obligation. This obligation also applies to the members of the Leadership Team who are not members of the Management Committee, for the duration of their functions within the Leadership team.

** Within the Leadership Team, the Management Committee includes 6 members, including the Chief Executive Officer (see Section 7.1.1.3 "The Leadership Team and the Management Committee").*

Global amounts reserved for pensions

The aggregate commitments relating to pensions (taking into account total benefits obligation: vested and non-vested rights) and other benefits granted to members of the Board of Directors and the Management Committee as of December 31, 2014 amounts to €5.9 million (compared with €5.5 million in 2013). This amount is broken down as follows: €0.7 million relate to the Directors, including Mr. Michel Combes (compared to €0.1 million in 2013) and €5.2 million relate to the members of the Management Committee excluding Mr. Michel Combes (compared to €5.4 million in 2013).

9 Sustainability

Alcatel Lucent is dedicated to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide, through its approach to responsible business innovation.

Our activities focus on three core priorities: eco-sustainability, our people, digital inclusion. These priorities are underpinned by three key values: zero tolerance for compliance violations, collaboration only with partners who support our values, active engagement as citizens in the communities where we do business around the globe.

9.1 Environment

9.1.1 Overall environmental policy

Our approach

The information and communications technology (ICT) sector has the potential to play a critical role in addressing challenges related to climate change. At Alcatel-Lucent, our long-term success depends on helping our customers respond to their environmental challenges through our innovation – and on reducing our own direct environmental impact.

For these reasons, we have built environmental considerations into virtually every aspect of our business, following a three-part approach.

- **Developing eco-sustainable networks:** creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks;
- **Leading the telecoms industry:** innovating in finding new disruptive research responses to today's climate change challenge through open, collaborative research partnerships and forums such as GreenTouch™ Consortium and/or through our own Bell Labs research on energy; and
- **Reducing our carbon footprint:** reducing our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline. By the end of 2014, our carbon footprint had decreased by 40% compared to the 2008 baseline.

This approach relies on our strong commitment for eco-innovation and our ability to play a leading role with key stakeholders.

Provisions and guarantees for environmental risks

It is our policy and practice to comply with all applicable environmental requirements and to provide safe, environmentally sound workplaces that will not adversely affect the health or safety of the communities in which we operate. Although we believe we are in material compliance with all environmental, health and safety laws and regulations, and that we have obtained all material environmental permits and authorizations required for our operations and our products, we may have to incur expenditures in the future significantly in excess of our expectations to cover environmental liabilities, maintain compliance with current or future environmental, health and safety laws and regulations, or undertake any necessary remediation.

The future impact of environmental matters, including potential liabilities, changes in carbon and environmental reporting requirements and the pricing of carbon emissions, is often difficult to estimate. We have modeled the potential pricing of carbon on our financial statements. Although it is not possible at this stage to predict the outcome of remedial and investigatory activities with absolute certainty, we believe the ultimate financial impact of these activities - net of applicable reserves - will not have a material adverse effect on our consolidated financial position or our income (loss) from operating activities.

As of December 31, 2014, our remaining outstanding balance related to our main provisions for environmental risks was € 59 million.

9.1.2 Pollution and waste management

Laws and regulations

We are subject to national and local environment, health and safety laws and regulations relevant to our operations, facilities and products in every jurisdiction where we operate. These laws and regulations impose various limitations (including the discharge of pollutants into the air and water) and establish standards for the treatment, storage and disposal of solid and hazardous waste, which may require us to remediate a site at significant cost. In the United States, these laws often require parties to fund remedial action regardless of fault. We have incurred significant costs to comply with these laws and regulations and expect to continue to incur significant compliance costs in the future.

We constantly monitor legal, regulatory and other developments that may affect the environmental, health and safety aspects of our activities, products or services. Compliance reviews are performed regularly and appropriate remedial measures are implemented once applicable legal, regulatory and other requirements are identified.

Remedial and investigatory activities

Remedial and investigatory activities are underway at numerous current and former facilities owned or operated by the former Alcatel and Lucent entities. In addition, Lucent Technologies Inc. (now Alcatel-Lucent USA Inc.) was named a successor to AT&T as a potentially responsible party at numerous Superfund sites pursuant to the U.S. *Comprehensive Environmental Response, Compensation and Liability Act* of 1980 (CERCLA) or comparable state statutes in the United States. Under a Separation and Distribution Agreement with AT&T and NCR Corporation (a former subsidiary of AT&T), Alcatel-Lucent USA Inc. agreed to assume responsibility for certain liabilities primarily resulting from or relating to its assets and the operation of its business as conducted at any time prior to or after the separation from AT&T, including related businesses discontinued or disposed of prior to its separation from AT&T. Furthermore, under the Separation and Distribution Agreement, Alcatel-Lucent USA Inc. is required to pay a portion of contingent liabilities in excess of certain amounts paid out by AT&T and NCR, including environmental liabilities.

For more information, including our anticipated remedial costs associated with the cleanup of the Fox River Superfund Site in Wisconsin, please refer to Section 6.5 "Contractual obligations and off-balance sheet contingent commitments", subtitle "Specific commitments: Alcatel-Lucent USA Inc." In Alcatel-Lucent USA Inc.'s Separation Agreements with Agere and Avaya, those companies have agreed, subject to certain exceptions, to assume all environmental liabilities related to their respective businesses.

9.1.3 Sustainable use of resources

Measures to improve efficiency of raw materials use

Our life cycle assessment (LCA) approach evaluates the consumption of raw materials throughout the life cycles of our products. Data and results from LCA assessments inform continual improvements to achieve more efficient use of raw materials and energy at every stage of product life: raw material extraction, pre-processing, intermediate material and component manufacturing, final manufacturing and assembly, packaging, distribution and installation, use, and end-of-life reuse and recycling. These improvements are incorporated into our best practices for environmentally conscious product design.

Product energy efficiency

Given the anticipated rise in greenhouse gas emissions by the Information & Communications Technology (ICT) sector in the coming years, Alcatel-Lucent is relentlessly striving to reduce the environmental impact of its products and solutions. Numerous initiatives are underway to not only increase the energy efficiency of our products and solutions but also to decrease our total carbon footprint through more eco-efficient product design and optimized product development, with a significant focus being placed on implementing more energy saving features and eco-friendly production processes.

In April last year, Bell Labs launched an application that models energy consumption of ICT networks. The GWATT (Global 'What if' Analyzer of NeTwork Energy ConsumpTion) (http://gwatt.net/), application is a thought-stimulating tool that is intended to drive intelligent dialogue about the sustainability potential of new technologies and the relative importance of different architectures and technologies on end-to-end energy consumption. Since then, over 4,000 users have accessed the GWATT application and nearly 1,000 have used it to forecast the effect of future traffic projection on energy consumption.

9.1.4 Green innovation

Alcatel-Lucent's research division, Bell Labs, recognizes that network energy consumption is one of the major industrial challenges facing customers and the ICT industry at large. With exponential traffic growth predicted for communication networks - accompanied by increased energy costs - service providers' operational expenses will increase significantly without the development of new, energy-efficient technologies. A further concern is access to stable, reliable power - which cannot be taken for granted in the case of off-grid or poor-grid deployments in developing countries and rural areas, or where massive deployments of network equipment like small cells present significant operational challenges and expenses.

Bell Labs' Network Energy Research program focuses on optimizing network energy utilization, and on developing innovative solutions for Alcatel-Lucent products in the near, medium and long terms. The program's research efforts span all major areas of the network including wireless and fixed access, metro and core networks, and optical transmission. The Energy Research program investigates technologies, architectures and solutions that:

- reduce required energy per bit (that is, increase energy efficiency), for data transmission, processing or storage;
- reduce power wastage from inefficiencies and overhead (for example, through more efficient thermal management and cooling); and
- enable off-grid deployments through new energy harvesting solutions and high-density energy storage technologies.

The research program also investigates innovative applications of ICT technologies such as connected and smart city applications (e.g., smart grids and electric mobility).

Given that network energy consumption affects the entire ICT industry, Bell Labs' vision is based on extensive collaboration with service providers, equipment manufacturers, utility companies and academics. This collaboration is at the core of the GreenTouch Consortium, which was founded in 2010. The GreenTouch Consortium that Bell Labs initiated is a Global Research counting 48 member organizations aiming at creating a technology roadmap to make telecoms networks up to 1,000 times more energy efficient.

9.1.5 Climate change

Tracking and reporting on carbon emissions

We have made a commitment to reduce our absolute carbon footprint (CO_2e) from our Scope 1 and Scope 2 operations by 50% by 2020 (compared to our 2008 baseline). According to the 2014 operational data available at the time of the filing of this document, the carbon footprint associated with our operations showed an approximate 40% reduction from 2008 levels.

9.2 Human resources

Our human resources policies and practices ensure that the ongoing transformation of Alcatel-Lucent is aligned with changes affecting our customers, markets and the world at large. Because we operate worldwide and serve customers who do business on a global scale, our approach to human resources management and development is likewise global.

9.2.1 Employment

Employees

Our total worldwide employee headcount at the end of 2014 was 52,673. The figures take into account all employees who worked for fully consolidated companies (including long-term absences/notice period) as well as for companies in which we own 50% or more of the equity.

The numbers were restated for the last three years due to the sale of our Enterprise activities on September 30, 2014. Enterprise headcount was 2,872 in 2012, 2,795 in 2013, and 463 in 2014.

Contractors and temporary workers

In 2014, the average number of contractors and temporary workers was 3,740 in the aggregate. The number of contractors is composed of employees of third parties performing work subcontracted by Alcatel-Lucent.

The number of temporary workers is, in general, composed of employees of third parties seconded to perform work at our premises due, for example, to a short-term shortfall in our employees or in the availability of a certain expertise.

9.2.2 Work organization and management

The Shift Plan

The Shift Plan is an industrial, operational and financial plan to refocus Alcatel-Lucent as a specialist in IP and cloud networking as well as ultra-broadband access, and to deliver innovation that shapes the future of the industry and ensures profitable growth. Launched in June 2013, The Shift Plan is a three-year plan.

With regard to the headcount reductions envisaged by The Shift Plan, the process of distributing information to and negotiating with the unions is ongoing and we are on track with our target. At the end of 2014, our workforce comprised 52,673 people, a decrease of 6,843 compared to the previous year, taking into account the sale of our Enterprise activities.

For further information, please refer to Section 6.6 "Strategy and Outlook".

Compensation

Our policy is for all employees to be fairly paid regardless of gender, ethnic origin or disability.

We remain committed to providing our employees with a competitive compensation package in line with those of other major companies in the technology sector. We place particular emphasis on ensuring the development of our employees, rewarding the skills that drive innovation and ensuring long-term employee engagement through appropriate policies, processes and recognition tools.

Our compensation strategy also aligns with The Shift Plan and strives to strike a balance among the following elements: Speed, simplicity, trust and accountability. This includes the implementation of common bonus plans, sales incentives and equity grants to ensure a consistent, global approach to compensation; the clear communication of performance achievement levels and policies; and having employees set and review yearly performance targets with their managers.

In 2014, a new variable incentive plan (excluding the sales population) was implemented featuring corporate, business unit and individual key performance indicators to enable employees to have greater visibility into and influence over their achievement and rewards.

The grants of long-term incentives (that is, stock options and performance shares) are decided by our Board of Directors upon recommendation of the Compensation Committee. Their implementation serves several purposes, including:

- involving employees in Alcatel-Lucent's results and in the achievement of The Shift Plan;
- encouraging and rewarding performance; and
- attracting and retaining talent in a highly competitive industry where quality and employee motivation are key factors for success.

Employees benefiting from equity may dispose of the shares and/or options at the end of the vesting or acquisition period to the extent the presence and/or the performance conditions are met.

Employee compensation evolution (that is, wages and salaries) over the last three years is set forth in Note 30 to our consolidated financial statements.

9.2.3 Training

Alcatel-Lucent University

The mission of Alcatel-Lucent University is to improve the performance of our employees, partners and customers and build the skills required for business success through:

- learning and development initiatives which are aligned with the strategic priorities of our Company;
- state-of-the-art learning facilities and e-learning components;
- technical certifications for customers, partners and employees offering professional standing in key technologies;
- accreditation programs targeting key Alcatel-Lucent job positions for employees;
- a learner-centric approach that enables individuals to achieve proficiency in areas relevant to their particular organization, job role and career interests.

All learning hours are tracked through a formal learning management system that provides auditable learning volume reports.

The University has introduced a personal, community-based learning application called My Personal Learning Experience (or My PLE), which allows students to better drive and manage their own learning programs. Designed around learning communities where students can share best practices, My PLE makes it easier for students to learn from their peers and from content experts - which, in turn, help to make learning more relevant to the job.

Achievements

In 2014, Alcatel-Lucent University delivered a total of 1.2 million hours of training to more than 91,000 total students[1] across 169 countries: 47% were external learners and 53% were internal learners[2].

In 2014, the University delivered an average of 11 hours of training per internal learner.

9.2.4 Diversity and equal opportunity

As a global enterprise, we actively seek to ensure that our employees reflect the diversity of our business environment. Our Global Human Rights Policy clearly confirms our responsibility to ensure equal opportunities for employees and to recognize and respect the diversity of people and ideas. Our commitment to advancing equality and non-discrimination is also reflected in specific initiatives against harassment and discrimination.

Gender diversity

Our global strategy

At the end of 2011, we implemented a global strategy and action plan that assigned responsibility for gender diversity at the organizational, corporate and country levels, and identified actions to be carried out in five focus areas:

- **Awareness building:** in 2014, we continued our work with a series of interactive sessions on gender diversity, addressing 500 managers and leaders to help them understand why diversity is a business imperative for Alcatel-Lucent and to build their awareness of workplace gender dynamics - all with the aim to better tap our existing talent and improve organizational performance.
- Leadership
  - **Supporting female leaders:** in 2014, we launched the TOP10 Women Program to support women's career development, offering to 10 participants in each region a mix of business sponsorship, executive coaching, TOP10 mentoring and networking over a one-year period.
  - **Leadership Pipeline:** as of December 2014, women account for 22% of our Leadership Pipeline.

[1] The total of students includes all internal learners plus external customer learners.
[2] External learners include customers and partners. Internal learners include employees and contractors.

- **Staffing/recruitment:** 33% of external hires over the past year were women, an increase of 10% from the previous period.
- **Work/life balance:** to support a better work/life balance for employees - women as well as men - we now have teleworking policies in all key countries worldwide. Our internal networking and learning platforms are being used to educate employees on the benefits and best practices of teleworking, helping to make flexible work practices more prevalent for men and women alike.
- **Equal pay for equal work:** we continue to comply with legal obligations, including gender-pay, in the countries in which we operate. As mentioned in the first bullet, our awareness-building sessions on gender diversity, attended by 500 managers in 2014, create a foundation for renewed success in this focus area.

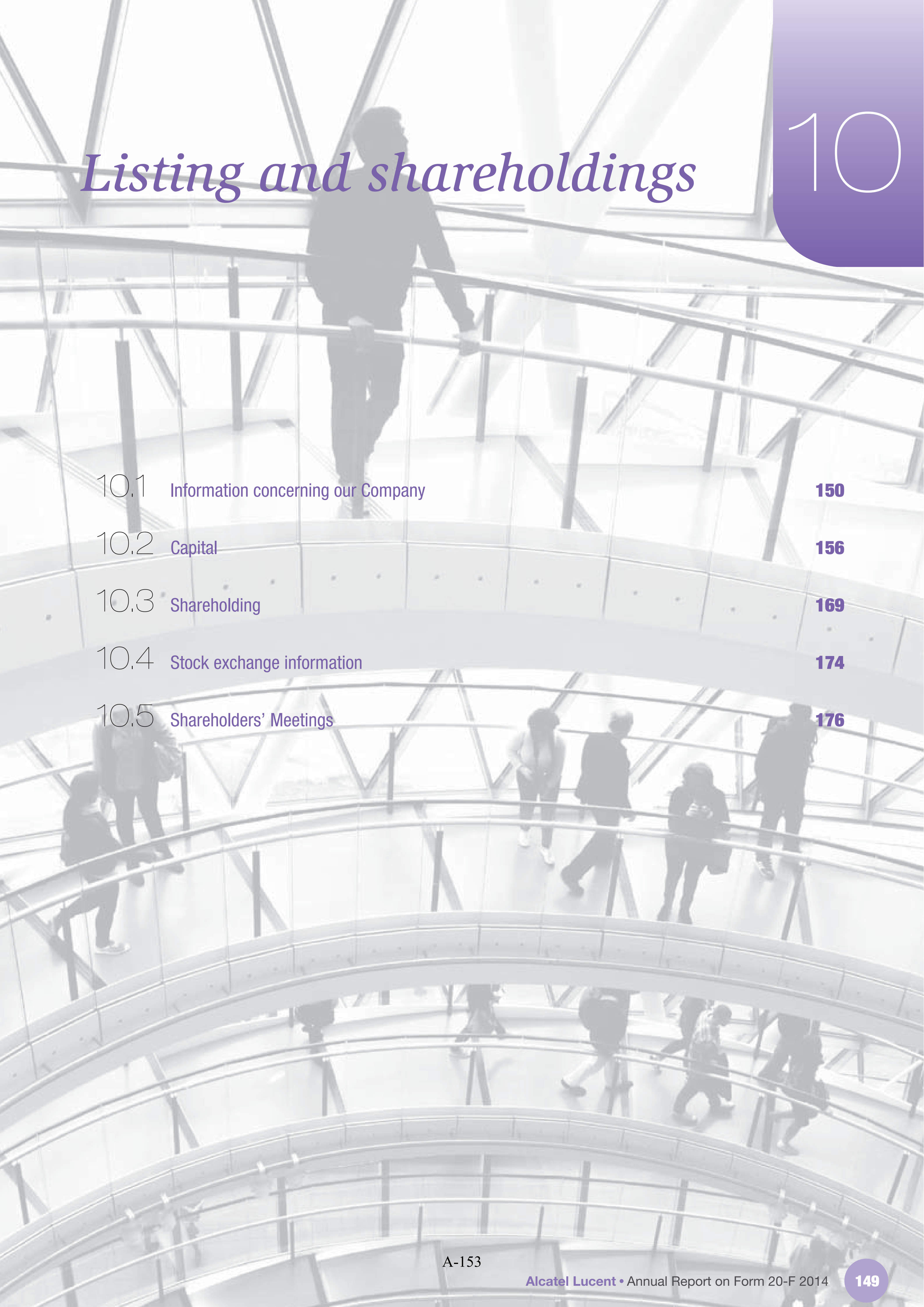
Integration of disabled people

We are committed to fostering the integration of people with disabilities into our workforce and creating access solutions for them.

Commitment to non-discrimination

Our commitment to advancing equality and non-discrimination is reflected in specific initiatives against harassment and discrimination in several countries (in particular, France and the United States). We continue to offer to our employees, individuals and managers, awareness resources on best practices to support lesbian, gay, bisexual and transgender people (LGBT) on the workplace.

For the thirteenth consecutive year, Alcatel-Lucent was recognized by the Human Rights Campaign Foundation with a perfect score on the Corporate Equality Index, which rates American workplaces on LGBT equality.



Listing and shareholdings

10

10.1 Information concerning our Company

10.1.1 Legal information

Company name and head office

Alcatel Lucent

148/152 route de la Reine, 92100 Boulogne-Billancourt.

Telephone :+33 1 55 14 10 10

Commercial name

Alcatel-Lucent

Corporate structure and applicable law

French limited liability company subject to all the regulations governing commercial entities in France, particularly the provisions of the French Commercial Code.

Date of incorporation and expiry date

The Company was incorporated on June 18, 1898 and will expire on June 30, 2086, unless there is an early dissolution or extension.

Corporate purpose

The Company's corporate purpose is the design, manufacture, operation and sale of all equipment, material and software related to domestic, industrial, civil, military or other applications concerning electricity, telecommunications, computers, electronics, aerospace industry, nuclear energy, metallurgy, and, in general, of all the means of production or transmission of energy or communications (cables, batteries and other components), as well as, secondarily, all activities relating to operations and services in connection with the above-mentioned means worldwide. It may acquire interests in any company, regardless of its form, in associations, French or foreign business groups, whatever their corporate purpose and activity may be and, in general, may carry out any industrial, commercial, financial, assets or real estate transactions, in connection, directly or indirectly, totally or partially, with any of the corporate purposes set out in Article 2 of the Articles of Association and with all similar or related purposes.

Registration number at the registry of commerce

The Company is registered at the Nanterre Commerce and Companies Registry under number 542 019 096. Its APE business activity code is 7010 Z.

Fiscal year

Our fiscal year begins on January 1st and ends on December 31st.

10.1.2 Specific provisions of the bylaws and of law

The data set out below are extracts from our Articles of Association (Articles 7, 9, 12, 13, 14, 16, 17, 18, 21, 22 and 24), and a summary of certain legal and regulatory provisions applicable to companies having their registered office in France and whose securities are listed on a regulated market.

Holding of shares and obligations of the shareholders

A) Form

The shares are not represented by a certificate.

Bearer shares are recorded in the books of the financial intermediary (bank or broker) in the name of the shareholder with Euroclear.

Shares are registered until the nominal value is fully paid.

Fully paid shares may be in registered or bearer form at the shareholder's choice up until the shareholder reaches a threshold of 3% of the total number of shares. Once the threshold of 3% of the Company's total number of shares is reached, the shares must be registered as described in paragraph B) below. The obligation to register shares applies to all the shares already held as well as to any shares which may be acquired subsequently in excess of this threshold.

B) Exceeding the thresholds of the Articles of Association

In accordance with the provisions of the Articles of Association, any individual or legal entity and/or shareholder that comes to own a number of shares in the Company equal to or above 2% of the total number of shares must, within a period of five trading days from the date on which this share ownership threshold is exceeded, inform the Company of the total number of shares owned, by letter or fax. A further notification must be sent in the same manner each time a new threshold of 1% is exceeded.

If the threshold of 3% of the total number of shares is exceeded, the shareholder must, within a period of five trading days from the date on which this share ownership threshold is reached, request the registration of the shares. The copy of the request for registration, sent by letter or fax to the Company within fifteen days from the date on which this share ownership threshold is exceeded, is deemed to be a notification that the threshold has been reached. A further request must be sent in the same manner each time a further threshold of 1% is exceeded, up to 50%.

For purposes of the calculation of the thresholds, indirectly held shares and shares which are considered to be owned pursuant to Articles L. 233-7 *et seq*. of the French Commercial Code must be taken into account.

In each notification referred to above, the shareholder must certify that all securities held indirectly as well as the shares considered to be owned are included. The notification must also indicate the date(s) of acquisition.

These obligations of share notification and registration apply to the holders who own shares through ADSs.

If a shareholder fails to comply with the provisions relating to notification that the thresholds have been exceeded, the voting rights for the shares exceeding the thresholds are, at the request of one or more shareholders holding at least 3% of the share capital, suspended under the conditions provided by law.

Any shareholder whose shareholding falls below either of the thresholds provided for above must also inform the Company thereof, within the same period of five trading days and in the same manner.

C) Exceeding the legal thresholds

Beyond the notification obligations provided for in our Articles of Association, French law requires that any individual or legal entity, acting alone or in concert, which comes to hold (including through ADSs) a total number of shares above 5%, 10%, 15%, 20%, 25%, 30%, $33^{1/3}$%, 50%, $66^{2/3}$%, 90% or 95% of the capital or of the voting rights of a company, notify the company and the AMF. The same notification obligation applies to any individual or legal entity holding a total number of shares representing between 30% and 50% of the capital or voting rights, and that, within less than twelve consecutive months, increases such shareholding by at least 1% of the capital or voting right of the company (referred to as the “speed-limit excess” rule). The 30% threshold and the “speed-limit excess” create an obligation for the concerned shareholder to launch a tender offer, as described below.

Pursuant to Article L.233-9 I 4° and 4°bis of the French Commercial Code the issued shares or the voting rights that the reporting entity is entitled to acquire at its sole initiative, immediately or in the future, under the terms of an agreement or a financial instrument and the shares already issued or the voting rights covered by an agreement or a financial instrument to be paid exclusively in cash which has economic effect for the reporting entity or individual similar to holding shares (e.g., cash-settled equity swaps, knock-in options), must also be taken into account for the calculation of the thresholds subject to notification. Moreover, the “separate disclosure” requirement imposes an obligation to disclose additional information on the following agreements and financial instruments: (i) securities giving access to shares in the future and (ii) shares already issued that the shareholder is entitled to acquire under the terms of an agreement or a financial instrument, based on the initiative of a third party.

The deadline to notify the AMF and the issuer is of four trading days (before the market or the trading system closes), after the day on which the threshold is reached.

A notification must also be made within the same timeframe when the holding in capital or voting rights falls below the above-mentioned thresholds, but not in the event the “speed-limit excess” occurs downwards due to sale(s) of shares or dilution of the shareholding.

In the event of a failure to appropriately notify that these thresholds have been exceeded, the voting rights of the shares in excess of the threshold that should have been notified are suspended for any Shareholders’ Meeting that might be held up to the expiration of a period of two years from the date when the notification is eventually filed.

Four thresholds of respectively 10%, 15%, 20% and 25% create an obligation of declaration of intent as defined under Article L.233-7 of the French Commercial Code. The deadline to notify the Company and the AMF is of five trading days (before the market closes).

D) Shareholders’ agreements

Any clause of a shareholders’ agreement which includes preferential conditions to transfer or to acquire shares listed on a regulated market and relating to at least 0.5% of the Company’s capital or voting rights, must be disclosed to the Company and to the AMF within five trading days from the date of the signature of such agreement.

E) Holdings triggering the mandatory filing of a tender offer

When an individual or legal entity, acting alone or in concert, comes to hold 30% of the capital or voting rights of the Company, or, while holding a total number of shares between 30% and 50%, comes to increase such holding by at least 1% within less than 12 months, it must immediately inform the AMF and launch a tender offer for all of the equity securities and securities giving access to the capital or voting rights of the Company.

F) Information on the number of voting rights

To allow shareholders to determine whether they have exceeded an ownership threshold, we publish the total number of voting rights monthly on our Internet site.

G) Cross-shareholdings

In accordance with French legislation relating to cross-shareholdings, a limited liability company may not own shares in another company if the latter holds more than 10% of the share capital of the former. In the event of cross-shareholdings that violate this rule and unless an agreement is reached, the company owning the smaller percentage of shares in the other company must sell its stake. Until sold, the voting rights of these shares are suspended.

In the case where the cross-shareholding is held by a subsidiary, the shares are simply deprived of voting rights.

H) Identity of the holders

In accordance with the laws and regulations in effect, and subject to the penalties provided therein, the Company may request from all organizations or authorized intermediaries any information concerning shareholders or holders of securities giving access, immediately or in the future, to voting rights, their identity, the number of securities held and any restrictions eventually applicable to the securities.

Rights and obligations relating to the shares

Shareholders are liable only up to the nominal amount of each share held. Any call for payment in excess of such amount is prohibited.

Each share gives right to a portion of the Company's profits, in the proportion prescribed by the Articles of Association.

Dividends and other income from shares issued by the Company are paid under the conditions authorized or provided for under the regulations in effect and in such a manner as the Shareholders' Meeting, or, alternatively, the Board of Directors may decide.

A double voting right is granted to fully paid shares which have been held in registered form by the same person for at least three years.

Rights and obligations remain attached to a share regardless of who holds the share. Ownership of a share entails automatic acceptance of the Company's Articles of Association and resolutions of the Shareholders' Meeting.

Shares are indivisible vis-à-vis the Company: Joint owners of shares must be represented by a single person. Shares subject to usufruct must be identified as such in the share registration.

Changes in the capital

A) Capital increases

In accordance with applicable law, our capital may be increased by cash or in-kind contributions, pursuant to a resolution of the Extraordinary Shareholders' Meeting approved by two-thirds of the shareholders present or represented. This power may also be delegated to the Board of Directors. In the event of a delegation to the Board of Directors, the Chief Executive Officer may be granted specific powers to complete the capital increase.

The capital may also be increased:

- by the capitalization of reserves, profits or issuance premium pursuant to a decision of the shareholders at an Ordinary Shareholders' Meeting taken with the approval of a simple majority of the shareholders present or represented;
- in case of payment of a dividend in shares decided by an Ordinary Shareholders' Meeting; or
- upon tender of securities or rights giving access to the Company's capital (bonds convertible into shares, bonds repayable in shares, warrants to purchase shares or other securities).

B) Capital decreases

The capital may be decreased pursuant to a decision of two-thirds of the shareholders present or represented at an Extraordinary Shareholders' Meeting, either by decreasing the nominal value of the shares or by reducing the number of shares outstanding.

Management of the Company

Our Company is managed by a Board of Directors consisting of at least six and not more than fourteen members.

Each Director must hold at least 500 Alcatel Lucent shares.

Directors' term of office - age limit

The Directors are elected for a period of three years. Exceptionally, the shareholders may appoint a Director for a period of one or two years in order to stagger the Director's terms of office. Outgoing Directors may be re-elected subject to the following provisions.

A Director appointed to replace another Director holds office only for the remainder of his predecessor's term of office.

The maximum age for holding a directorship is 70. This age limit does not apply if less than one third rounded up to the nearest whole number, of serving Directors have reached the age of 70.

No Director over 70 may be appointed if, as a result, more than one third of the serving Directors rounded up as defined above, are over 70.

If for any reason whatsoever the number of serving Directors over 70 should exceed one third as defined above, the oldest Director(s) shall automatically be deemed to have retired at the ordinary Shareholders' Meeting called to approve the accounts of the fiscal year in which the proportion of Directors over 70 years was exceeded, unless the proportion was re-established in the meantime.

Directors representing legal entities are taken into account when calculating the number of Directors to which the age limit does not apply.

Legal entities that are represented on the Board must replace any 70 year-old representative no later than at the ordinary Shareholders' Meeting called to approve the accounts of the fiscal year in which such representative reached the age of 70.

The age limitations apply to any Chairman of the Board of Directors, provided that such Chairman is not at the same time the Chief Executive Officer of the Company, in which case the age limitation of 68 shall apply.

Powers and responsibilities of the Board of Directors

The Board of Directors is vested with all the powers granted to it by the current legislation.

The Board determines the business strategies of the Company and ensures their implementation.

Subject to the authority expressly reserved for the Shareholders' Meeting, and within the limits of the corporate purpose, the Board of Directors addresses any question that affects the Company's operations and governs the affairs of the Company through its deliberations.

The Board of Directors decides whether the management of the Company will be performed by the Chairman of the Board of Directors or by a Chief Executive Officer.

Chairman, Vice-Chairmen, Chief Executive Officer, Executive Vice-Presidents and Secretary

The Chief Executive Officer is responsible for the general management of the Company, unless the Board of Directors decides to entrust the general management to the Chairman of the Board of Directors.

The Board of Directors appoints from among its members, upon the affirmative vote of the majority of the Directors present or represented, a Chairman for a term not exceeding the term of his or her position as a Director. The Board of Directors may remove the Chairman at any time, upon the affirmative vote of the majority of the Directors present or represented.

The Chairman of the Board of Directors performs the missions assigned to him by law and notably must ensure the proper functioning of the Company's governing bodies. He chairs the meetings of the Board of Directors, organizes the work of the Board and ensures that the Directors are able to fulfill their mission.

The Board of Directors may appoint, if it so wishes, one or more Vice-Chairmen, and set their term of office, which may not exceed their term as Director. The Vice-Chairman, or the most senior Vice-Chairman, performs the duties of the Chairman when the Chairman is unable to do so.

If it does not assign the general management of the Company to the Chairman, the Board of Directors appoints, whether among its members or not, upon the affirmative vote of the majority of the Directors present or represented, a Chief Executive Officer for a term determined by it, not to exceed the term of his or her position as a Director, if applicable. The Board of Directors may remove the Chief Executive Officer at any time, upon the affirmative vote of the majority of the Directors present or represented.

The Chief Executive Officer is vested with the fullest power to act in all circumstances in the name of the Company, within the limits of the corporate purpose, the limitations set by the Board of Directors (as previously described in Section 7.1.2 "Principles of organization of our Company's management") and subject to the powers that the law expressly bestows on the Shareholders' Meetings and on the Board of Directors.

The Chief Executive Officer represents the Company in its relations with third parties. He represents the Company before the courts.

When the Chairman of the Board of Directors assumes the management of the Company, the provisions of this section and the law governing the Chief Executive Officer apply to him.

Upon the proposal of the Chief Executive Officer, the Board of Directors may authorize one or more persons to assist him, as Executive Vice-Presidents.

The maximum number of Executive Vice-Presidents that may be appointed has been set at five.

The scope and term of the powers delegated to Executive Vice-Presidents is determined by the Board of Directors in agreement with the Chief Executive Officer.

In their relations with third parties, Executive Vice-Presidents have the same authority as the Chief Executive Officer.

In the event the office of Chief Executive Officer becomes vacant, the functions and powers of the Executive Vice-Presidents continue until the appointment of a new Chief Executive Officer, unless otherwise decided by the Board of Directors.

The Board of Directors, on the recommendation of the Chairman or Chief Executive Officer, the Chairman or the Chief Executive Officer themselves and the Executive Vice-Presidents may, within the limits set by law, delegate such powers as they deem fit, either for the management or conduct of the Company's business or for one or more specific purposes, to all authorized agents, whether members of the Board or not or part of the Company or not, individually or as committees. Such powers may be permanent or temporary and may or may not be delegated to deputies.

The Board shall appoint a secretary and may also appoint a deputy secretary on the same terms.

Age limit for corporate executives

The Chief Executive Officer and Executive Vice-Presidents may hold office for the period set by the Board of Directors, but this period may not exceed their term of office as Directors, if applicable, nor in any event may such period extend beyond the date of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year in which they shall have reached 68 years of age. The same age limit applies to the Chairman when he is also the Chief Executive Officer.

When the Chairman does not also occupy the position of Chief Executive Officer, he may hold the office of Chairman for the period set by the Board of Directors, but this period shall not exceed his term as Director, as well as the age limit set for the Directors.

Board Observers

Upon the proposal of the Chairman, the Board of Directors must in turn propose to the Ordinary Shareholders' Meeting the appointment of two Observers satisfying the conditions described below. The Board Observers are invited and participate in Board meetings, but have no vote. They are appointed for three years. Exceptionally the shareholders may appoint a Board Observer for a period of two years in order to stagger the Board Observer's terms of office. Outgoing Board Observers may be renewed.

They must, at the time of their appointment, be both employees of Alcatel Lucent or a company of the Group, and members of a mutual investment fund as described below. Any mutual investment fund which satisfies the conditions defined below may propose to the Board candidates with a view to their being appointed as Observers.

For purposes of the preceding requirements:

- a company of the Alcatel Lucent group is a company in which Alcatel Lucent holds directly or indirectly at least one half of the voting rights and/or any company in which a company of the Alcatel Lucent group holds directly or indirectly at least one half of the voting rights;
- the mutual investment funds referred to above are those created pursuant to a corporate savings plan in which the Company or a Group company participates, and where the portfolio includes at least 75% of Alcatel Lucent shares.

Upon the Chairman's recommendation, the Board of Directors may propose to the Ordinary Shareholders' Meeting the appointment of one or several additional Observers who do not fulfill the conditions above who may or may not be shareholders, but the total number of Observers may not exceed six.

The Observers receive an annual remuneration, set at the Ordinary Shareholders' Meeting and allocated by the Board of Directors.

Shareholders' Meetings

The General or Special Shareholders' Meeting are convened and held under the conditions provided by law.

The decisions of the Shareholders' Meeting are binding on all shareholders, including those not present or who dissent.

Meetings take place at the registered office or any other place specified in the notice of meeting.

All shareholders may attend the meeting in person, or vote by mail or by proxy, upon presentation of proof of identity and upon proof of registration of the securities in their name on the beginning (0:00 hour, Paris time) of the second working day preceding the Shareholders' Meeting, either in the Company's accounts of registered securities, or in the bearer share accounts held by a duly authorized intermediary.

Subject to the conditions defined by regulations and in accordance with the procedures defined beforehand by the Board of Directors, the shareholders may participate and vote in all General or Special Shareholders' Meetings by video-conference or any electronic communication method, including Internet, that allows for their identification.

Subject to the conditions set by the regulations in effect, the shareholders may send their proxy or mail voting form for any General or Special Shareholders' Meeting either in paper form or, upon decision of the Board reflected in the notices of the meeting, by electronic transmission. The electronic signature of the form consists, upon prior decision of the Board of Directors, in a process of identifying which safeguards its link with the electronic form to which it relates by a login and password or any other process in the conditions defined by regulations in force.

In order to be considered, all necessary forms for votes by mail or by proxy must be received at the Company's registered office or at the location stated in the notice of the meeting at least three days before any Shareholders' Meeting. This time limit may be shortened by decision of the Board of Directors. Instructions given electronically that include a proxy or power of attorney may be accepted by the Company under the conditions and within the deadlines set by the regulations in effect.

The meeting may be broadcasted by video-conference and/or electronic transmission. If applicable, this should be mentioned in the notices of meeting.

All shareholders having expressed their vote electronically, sent a power of attorney or asked for their admission card or a certificate of participation may nevertheless transfer all or part of the shares for which they have voted electronically, sent a power of attorney or asked for an admission card or a confirmation. However, if the transfer of ownership is made between the day on which the vote has been electronically expressed, or the power of attorney sent, or the admission card or a confirmation of participation requested, and the beginning (0:00 hour, Paris time) of the second working day preceding the meeting, the Company, upon notification of the intermediary authorized to hold the account, will invalidate or modify as a result, as the case may be, the electronic vote, the power of attorney, the admission card or confirmation. No transfer of ownership or any transaction made after the second working day preceding the meeting, 0:00 hour, Paris time, whatever the means used, shall be notified by the authorized intermediary or taken into account by the Company, notwithstanding any agreement to the contrary.

The Shareholders' Meeting is chaired either by the Chairman or one of the Vice-Chairmen of the Board of Directors, or by a Director appointed by the Board or by the Chairman.

The shareholders appoint the officers of the meeting, that is, the Chairman, two scrutineers and a secretary.

The scrutineers are the two shareholders attending the meeting representing the largest number of votes or, should they refuse, those who come after in descending order until the duties are accepted.

Copies or extracts of the minutes may be authenticated by the Chairman of the Board, the secretary of the Shareholders' Meeting, or the Director appointed to chair the meeting.

The Ordinary Shareholders' Meeting may deliberate on a first call only if the shareholders present or represented hold at least one-fifth of the shares with voting rights. No quorum is required for a meeting held upon a second call.

The Extraordinary Shareholders' Meeting may deliberate on a first call only if the shareholders present or represented hold at least one-quarter of the shares with voting rights, and one-fifth of the shares with voting rights in the event of a second call.

Voting rights

At the General Shareholders' Meeting held on June 1, 2007, the shareholders voted to eliminate the statutory limitation on voting rights at Shareholders' Meetings; as a result and subject to what is described below, each member at every meeting has the right to as many votes as the number of shares that he owns or represents.

However, fully paid registered shares, registered in the name of the same holder for at least three years, have double voting rights.

In accordance with Article L. 225-99, paragraph 2 of the French Commercial Code, the elimination of double voting rights must be decided by the Extraordinary Shareholders' Meeting, with the authorization of a special meeting of holders of these rights.

Double voting rights are cancelled automatically for any share that is converted into a bearer share or the ownership of which is transferred. However, the period mentioned above is interrupted, and the right acquired is preserved, in the event of a transfer from registered to registered form, as a result of intestate or testamentary succession, the division between spouses of a common estate, or donation *inter vivos* in favor of a spouse or heirs.

Voting rights in all Ordinary, Extraordinary or Special Shareholders' Meetings belong to the usufructuary.

Appropriation of the result - dividend

The difference between the proceeds and the expenses of the fiscal year, after provisions, constitutes the profits or losses for the fiscal year. An amount equal to 5% of the profits, minus previous losses, if any, is deducted in order to create the legal reserve, until such legal reserve is at least equal to $1/10^{th}$ of the capital. Additional contributions to the legal reserve are required if the legal reserve falls below that fraction for any reason.

The distributable profits, that is, the profits for the fiscal year minus the previous losses and the deduction mentioned above, plus income carried over, is available to the Shareholders' Meeting which, upon proposal of the Board, may decide to carry over some or all of the profits, to allocate them to general or special reserve funds or to distribute them to the shareholders as a dividend.

In addition, the Shareholders' Meeting may decide the distribution of sums deducted from the optional reserves, either as a dividend or as a supplemental dividend, or as a special distribution. In this case, the decision must clearly indicate the reserves from which said sums are deducted. However, the dividends must be deducted first from the distributable profits of the fiscal year.

The Ordinary Shareholders' Meeting may grant each shareholder, for all or part of the dividend distributed or the interim dividend, the option to receive payment of the dividend or interim dividend in cash or in shares.

The Shareholders' Meeting or the Board of Directors, in the event of an interim dividend, must determine the date as of which the dividend is paid.

10.1.3 Elements which could have an impact in case of public tender offer (information required by Article L. 225-100-3 of the French Commercial Code)

Article L. 225-100-3 of the French Commercial Code requires disclosure of those elements which could have an impact in case of a public tender offer. The following elements could have such an impact with respect to Alcatel Lucent:

- the distribution of capital and voting rights shown below;
- to ensure the stability in all circumstances of the Group's business and employees who are essential to its development, our Board of Directors is authorized, in the event of a takeover bid for Alcatel Lucent, a tender offer for our shares or a procedure to delist our shares, to decide to accelerate the vesting of all outstanding options (other than those held by individuals who were Executive Directors on the option grant date or on the date of the Board's decision), and give the right to exercise the options immediately, notwithstanding any holding period. Further, the members of the Leadership Team, excluding the Chief Executive Officer, benefit from an acceleration of the vesting of the rights attached to their stock-options in case of a change in control;
- the manner in which the employee shareholding system functions when the employees do not exercise their rights directly: Pursuant to Article L. 214-40 of the French Monetary and Financial Code, the Supervisory Board of the FCP 2AL Mutual Fund decides whether to tender the shares to the tender or exchange offer.

10.2 Capital

10.2.1 Amount of the capital and categories of shares

Capital at year end. On February 5, 2015, the Board of Directors determined that the amount of the capital at December 31, 2014, amounted to EUR 141,021,613.50, represented by 2,820,432,270 fully paid ordinary shares, each with a nominal value of EUR 0.05.

10.2.2 Purchase of Alcatel Lucent shares by the Company

In 2014, we did not effect any transactions pursuant to our share repurchase program. At December 31, 2014, Alcatel Lucent held directly 13,010,214 shares, representing 0.46% of the capital. At that date, our subsidiaries held 27,110,113 shares, representing 0.96% of our capital. At December 31, 2014, these shares were booked as a deduction from consolidated shareholders' equity.

Following a resolution of the Board of Directors on March 19, 2014, the treasury shares are allocated to the following objectives:

- to retain for subsequent use in respect of external growth transactions (approximately 42.8 million of treasury shares);
- to meet obligations arising from options carrying the right to purchase existing shares (1 million of treasury shares);
- to pay the variable compensation of the members of the Leadership team in part with treasury shares (8 million of treasury shares).

At the Shareholders' Meeting of May 28, 2014, the shareholders authorized the Board of Directors with a right of sub-delegation in accordance with law, for a period of 18 months, to repurchase Alcatel Lucent shares up to a maximum of 10% of the capital of the Company.

The maximum purchase price per share may not exceed EUR 20 and the minimum selling price may not be less than the nominal value of the share, that is, EUR 0.05. This program has not been implemented since the approval by the shareholders of the corresponding resolution at the Shareholders' Meeting of May 28, 2014.

At its meeting of February 5, 2015, the Board of Directors decided to propose a resolution to be voted upon at our next Shareholders' Meeting, to be held on May 26, 2015, to cancel the existing authorization, and to give the Board a new 18 month authorization for a share repurchase program.

Description of the repurchase program pursuant to articles 241-1 and following of the AMF rules

Date of the Shareholders' Meeting authorizing the program. At the Shareholders' Meeting of May 28, 2014, the shareholders authorized the Board of Directors to repurchase Alcatel Lucent shares up to a maximum of 10% of the capital of the Company for a period of 18 months. The renewal of this authorization to the Company to purchase its own shares for a new period of 18 months will be submitted for approval to the shareholders at the Shareholders' Meeting to be held on May 26, 2015.

Number of shares and percentage of capital held directly or indirectly by the Company. At December 31, 2014, the Company held 13,010,214 shares directly and 27,110,113 shares indirectly.

Goals of the repurchase program. The goals of the current repurchase program and those to be presented to the shareholders at the Shareholders' Meeting of May 26, 2015 in relation to the renewal of this program are:

- to cancel some or all of the shares so purchased by decreasing the Company's share capital under the conditions provided by law;
- to grant or sell purchased shares to employees and officers ("*dirigeants*") of the Company or its affiliates or organizations under the terms and conditions provided by law (stock options, participation of employees in the Company's profit, allocation of performance-related shares, etc.);
- to comply with the Company's obligations in respect of stock option plans or other allocations of shares to employees or corporate officers of the Company or of a related company;
- to deliver shares upon the exercise of rights attached to securities giving access to the Company's share capital and to carry out related hedging transactions pursuant to commitments undertaken by the Company (or any of its subsidiaries) with respect to such securities;
- to hold and deliver shares (as exchange consideration, payment, or other) in particular in connection with external growth transactions carried out by the Company, or mergers, spin-offs or contributions;
- to engage in market making in the secondary market or maintenance of the liquidity of the Alcatel Lucent share through an investment services provider pursuant to a liquidity contract that complies with the ethical code recognized by the AMF.

The repurchase program is also intended to allow the implementation of any market practice that may be permitted by the AMF in the future and more generally, the conclusion of any transaction that complies with applicable laws and regulations. In such a case, the Company will inform its shareholders through a press release.

Repurchase terms and conditions. Acquisitions, sales and transfers of shares may be made at any time subject to the limits, in particular relating to volume and price, authorized under applicable laws and regulations (except during the period of a public tender offer on Alcatel Lucent shares) and by any means, either through regulated markets, multilateral trading systems, systematic internalizers or by way of a private placement or otherwise, including by block purchases or sales, by public tender offer or public exchange offer, or through the use of options or other derivative financial instruments whether traded on regulated markets or through multilateral trading systems, via a systematic internalizer or by way of a private placement or otherwise or by delivery of shares arising from the issuance of securities giving access to the capital of the Company by conversion, exchange, redemption, presentation of a warrant or any other means, either directly or through an investment services provider, under the conditions set forth by the market authorities.

Maximum share of capital, maximum number and characteristics of shares, maximum purchase price. The program concerns the shares of Alcatel Lucent (ISIN FR0000130007) listed on Euronext Paris stock exchange - Compartment A.

The maximum percentage that may be purchased under each of the current authorization and the one to be proposed to the shareholders at the Shareholders' Meeting on May 26, 2015 is 10% of the total number of shares comprising the capital on the date of purchase. In view of the number of shares that comprised our capital at December 31, 2014, for information purposes this limit represents 282,043,227 shares or, based on the maximum authorized purchase price (EUR 20), a maximum theoretical amount of EUR 5,640,864,540, not including the shares already held by the Company.

However, in the event of transactions affecting the Company's share capital, and in particular, of a capital increase through the capitalization of reserves, the allocation of free shares, in particular performance-related shares, a stock split or reverse stock split, a change in nominal value or any other transaction affecting the equity capital, the Board of Directors may adjust the maximum purchase price set forth above in order to take into account the impact of these transactions on the value of the shares.

Duration of the program. The current share repurchase program as approved by the shareholders at the Shareholders' Meeting held on May 28, 2014 is in place for a duration of 18 months as of its approval, that is, until November 28, 2015. In accordance with the resolution to be submitted to the approval of the shareholders at the Shareholders' Meeting on May 26, 2015, the current share repurchase program would be cancelled and the new program will be able to be implemented over a period of 18 months following the date of that approval, that is, until November 26, 2016.

10.2.3 Authorizations related to the capital

Outstanding authorizations

Currently, we have the following authorizations to issue capital and repurchase and/or cancel our shares, which authorizations were approved at our Shareholders' Meeting on May 28, 2014.

OUTSTANDING AUTHORIZATIONS

Nature			Caracteristics (ceiling, discount)	% Capital	Utilization	Remaining % Capital
AUTHORIZATIONS - VALIDITY: 18 MONTHS						
Share repurchase *(resolution 11 ShM 2014)*			-	**10%**	None	10%
Share cancellation *(resolution 12 ShM 2014)*			-	**10%**	None	10%
ISSUANCE OF SECURITIES - VALIDITY: 26 MONTHS						
Maximum global amount applicable to all dilutive and non-dilutive issuances: EUR 46.5 million (33% of the capital)	Capital increase WITH PSR *(resolution 13 ShM 2014)*		**Global ceiling: EUR 46.5 million** (930 million shares) ; Maximum nominal amount of debt securities: EUR 5 billion	**33%**	10%*	**23%*** **
	Capital increase WITHOUT PSR *(resolution 14 to 17 and 19 ShM 2014)*					
		Public offer WITH priority subscription period *(resolution 14 ShM 2014)*	**Ceiling: EUR 28.25 million** (565 million shares) ; Maximum nominal amount of debt securities: EUR 5 billion; Maximum discount of 5%; Priority subscription period of at least 5 days	*20%***	*None*	***10%****
	Maximum amount applicable to dilutive issuances and without priority subscription period: EUR 14.1 million (10% of the capital)	Public offer WITHOUT priority subscription period *(resolution 14 ShM 2014)*	**Ceiling: EUR 14.1 million** (282 million shares); Maximum nominal amount of debt securities: EUR 5 billion; Maximum discount of 5%	*10%*	*None*	*0%****
		Private placement (Art L. 411-2 II of the French Monetary and Financial Code) *(resolution 15 ShM 2014)*	Maximum discount of 5%	*10%*	*10%*	*0%****
		Greenshoe *(resolution 16 ShM 2014)*	**15%** of the initial issue	*15% of the initial issue*	*15% of the initial issue*	*N/A*
		Contributions in kind *(resolution 17 ShM 2014)*	-	*10%*	*None*	*0%****
		Determination of price under public offer and private placement *(resolution 19 ShM 2014)*	Flexibility of the reference period; Maximum discount of 5%	*10%*	*None*	*N/A*
Capital increase by capitalization of reserves, profits, premiums ***(resolution 18 ShM 2014)***			EUR 5 billion	-	None	-
ISSUANCE RESERVED TO EMPLOYEES AND EXECUTIVE DIRECTORS - VALIDITY: 38 AND 26 MONTHS						
Performance shares *(resolution 20 ShM 2014)*			Executive Directors : limit of 6% of the grants (that is, less than 0.12% of capital) ; Validity of 38 months	**2%**	0.37%	1.63%
Stock-options *(resolution 21 ShM 2014)*			Executive Directors: limit of 6% of the grants (that is, less than 0.12% of capital) ; Without discount; Validity of 38 months	**2%**	None	2%
Capital increase reserved to employees *(resolution 22 ShM 2014)*			Maximum discount of 5%; Validity of 26 months	**2%**	None	2%

NB : Share capital at December 31, 2014: EUR 141 million, that is, 2,820.4 million shares with a nominal value of EUR 0.05.
PSR : Preferential Subscription Right.
* *The 10% used correspond to the June, 2014 issuance through a private placement.*
** *To be counted towards the ceiling of 33% mentioned in resolution 13 related to the capital increase WITH PSR.*
*** *Due to the issuance made in June 2014 through a private placement representing 10 % of the capital (this percentage being the maximum amount of the authorizations for the issuances WITHOUT PSR and WITHOUT priority subscription period).*

Use of authorizations

Issuance with cancellation of preferential subscription rights of shareholders. The Board of Directors was granted a delegation of authority by the Shareholders' Meeting of May 28, 2014, for a period of 26 months, to issue ordinary shares and any securities conferring a right to the capital of the Company, with cancellation of the preferential subscription rights of the shareholders of Alcatel Lucent, within the limit of EUR 14.1 million, that is, approximately 10% of our capital.

In June 2014, as part of the Shift Plan, Alcatel-Lucent issued bonds convertible into Alcatel-Lucent Shares pursuant to the authorizations granted by the shareholders at the Shareholders' Meeting of May 28, 2014:

On June 10, 2014, pursuant to resolutions 15, 16 and 19 approved by the shareholders at the Shareholders' Meeting of May 28, 2014, the Board launched an offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE) in two tranches ("2019 OCEANE" and "2020 OCEANE"). The amount of the 2019 OCEANE issuance was EUR 688.42 million corresponding to 167.5 million 2019 OCEANE of a nominal value of EUR 4.11 each. The amount of the 2020 OCEANE issuance was of EUR 460.28 million corresponding to 114.4 million 2020 OCEANE of EUR 4.02 each. The OCEANE offering was effected as a private placement pursuant to Article L. 411-2-II of the French Monetary and Financial Code, with exercise in full of the over-allotment option of 15% of the initial offering, that is, a total offering of EUR 1,148.7 million. Together with available cash, this issuance allowed the Group of to repay in full prior to its term the Senior Secured Credit Facility of an initial principal amount of U.S$1,750 million entered into by Alcatel-Lucent USA Inc., to extend its debt maturity and to reduce the cost of indebtedness. The early repayment on August 19, 2014, of the Senior Secured Credit Facility also allowed the first-priority pledges granted in connection with this Facility to be cancelled and released.

Performance shares, stock options and purchase of shares: Our Board of Directors was given authorizations by the shareholders at the Shareholders' Meeting held on May 28, 2014, which allowed it to grant performance shares. The grants effected in September 2014 represented 0.37% of the capital, compared to an overall ceiling of 2% of the capital for issuance of performance shares.

The status of the use of the authorizations related to performance shares, stock options and options to purchase shares granted to the Board of Directors is described in Chapter 8 "Compensation and long term incentive".

10.2.4 Diluted capital

Our capital at December 31, 2014 was EUR 141,021,613.50, represented by 2,820,432,270 fully paid ordinary shares, each with a nominal value of EUR 0.05, and fully paid up.

	Total number of shares
Capital at December 31, 2014	**2,820,432,270**
Alcatel Lucent stock options	124,455,977
Performance shares (1)	27,194,482
OCEANE 2018 (2)	370,378,501
OCEANE 2019 (2)	167,500,000
OCEANE 2020 (2)	114,499,995
Diluted capital at December 31, 2014	**3,624,461,225**

(1) For more details, see Section 8.1.4 "Summary table for the performance share plans".

(2) For a description of the dilutive instruments, see Section 10.2.5 "Shares or rights granting access to the capital".

10.2.5 Shares or rights granting access to the capital

Convertible debts securities issued by Lucent Technologies Inc.

Convertible bonds. Lucent Technologies Inc. (or its affiliates) had issued debt securities convertible into Lucent Technologies, Inc. shares. As of the date of the business combination between historical Alcatel and Lucent, in accordance with the Board of Directors' decision of November 30, 2006, these securities included the following and entitled holders to:

- 44,463,075 Alcatel Lucent shares, concerning the 7.75% convertible trust preferred securities maturing on March 15, 2017;

- 43,832,325 Alcatel Lucent shares, concerning the Series A convertible bonds (2.75% increased to 2.875%) maturing on June 15, 2023;
- 55,087,690 Alcatel Lucent shares, concerning the Series B convertible bonds (2.75% increased to 2.875%) maturing on June 15, 2025.

The unit price of the Alcatel Lucent shares issued through conversion of the above convertible debt securities is equal to the conversion or exercise price of these securities divided by the exchange ratio set in connection with the business combination between historical Alcatel and Lucent (that is, 0.1952 Alcatel share for one Lucent share), namely:

- the equivalent in EUR, the day of the exercise or of the conversion, of U.S.$24.80 for the 7.75% convertible trust preferred securities;
- the equivalent in EUR, the day of the exercise or of the conversion, of U.S.$17.11 for the Series A convertible bonds;
- the equivalent in EUR, the day of the exercise or of the conversion, of U.S.$15.98 for the Series B convertible bonds.

During fiscal year 2013, Alcatel-Lucent USA, Inc. repurchased all outstanding Series A and Series B convertible debt securities for a nominal amount of US$95 million for the Series A, and US$765 million for the Series B.

The nominal value at December 31, 2013 of the outstanding convertible trust preferred securities issued by Lucent Technologies Capital Trust I amounted to US$931 million of 7.75% of convertible trust preferred securities. On January 13, 2014, we repaid these securities in full.

Stock-options and other stock-based compensation instruments issued by Lucent Technologies Inc.

As part of the business combination with Lucent, we agreed to issue Alcatel Lucent shares to holders of stock options and other stock-based compensation instruments (*restricted stock units, performance shares* and *Directors' deferrals*) granted by Lucent Technologies Inc., in the event of such holders' exercise or conversion of the rights attached to their instruments.

As of November 30, 2006, the date of the business combination between historical Alcatel and Lucent, these instruments entitled their holders to a total of 311,307,596 common shares of Lucent Technologies Inc.

Consequently, and in accordance with the decision made by our Board of Directors on November 30, 2006, acting on the authority granted by the shareholders at the Shareholders' Meeting of September 7, 2006, Alcatel Lucent's Coralec subsidiary issued to Lucent Technologies Inc., 60,767,243 bonds, each of which may be converted into one Alcatel Lucent share.

When the Lucent stock options or other stock-based compensation instruments are exercised by their holders, Alcatel-Lucent USA Inc. (formerly named Lucent Technologies Inc.) requests conversion of the corresponding number of convertible bonds and immediately delivers the number of Alcatel Lucent shares resulting from the conversion to those holders who have exercised their rights.

At December 31, 2014, there were a total of 55,669,199 outstanding bonds convertible into Alcatel Lucent shares. However, none of these bonds may still be converted, given the cancellation of stock-options as of that same date.

These bonds are not listed on any stock exchange.

Redeemable notes (ORAs)

Issues related to acquisitions

Spatial Wireless. In 2004, we authorized the issuance by our subsidiary Coralec of debt represented by notes redeemable for Alcatel Lucent shares (ORAs), in order to allow for the acquisition of Spatial Wireless (United States).

In connection with this acquisition, 18,988,334 notes redeemable for Alcatel Lucent shares were issued at a unit price of €11.91. The number of Alcatel Lucent shares issued since the issuance of the ORAs, to repay these notes, is 18,633,297 shares. There were no redemptions in 2013.

Due to the expiry of all of the stock-options to which the ORAs related, these notes were bought back and then cancelled on December 19, 2014.

Issues related to financial transactions

OCEANE 2018. Pursuant to the authorization granted at the Shareholders' Meeting of June 8, 2012, Alcatel-Lucent issued, on July 3, 2013, debt represented by bonds with a conversion and/or exchange option for new or existing shares (OCEANE). The issue concerned a principal amount of EUR 628,946,424, represented by 349,414,680 OCEANE with a unit value of EUR 1.80 (see Note 24 to the consolidated financial statements).

The bonds, which are due on January 1, 2018, bear an annual interest rate of 4.25%.

The principal purpose of the issue was to refinance the Group's debt and the extension of its debt's maturity.

In the context of the capital increase resulting from the rights offering completed on December 9, 2013, the holders of OCEANE 2018 were informed that the conversion/exchange ratio of the OCEANE 2018, which was originally of 1 Alcatel Lucent share with a nominal value of EUR 0.05 for 1 OCEANE 2018 was adjusted and fixed at 1.06 Alcatel Lucent share with a nominal value of EUR 0.05 for 1 OCEANE 2018.

On December 31, 2014, and taking into account the adjustment effected following the capital increase of December 9, 2013, 370,378,501 OCEANE 2018 remained outstanding, given that during fiscal year 2014, 1,060 of these bonds were subject to a conversion into Alcatel Lucent shares.

OCEANE 2019 and 2020. On June 10, 2014, pursuant to the authorization granted by the shareholders at the Shareholders' Meeting on May 28, 2014, we launched an offering of bonds convertible into and/or exchangeable for new and/or existing shares (OCEANE) in two tranches (“2019 OCEANE” and “2020 OCEANE”). The amount of the 2019 OCEANE issuance was of EUR 688,425,000, corresponding to 167,500,000 2019 OCEANE of a nominal value of EUR 4.11 each. The amount of the 2020 OCEANE issuance was of EUR 460,289,979.90 corresponding to 114,499,995 2020 OCEANE of a nominal value of EUR 4.02 each (see Note 24 to the consolidated financial statements).

The 2019 OCEANE do not bear interest. The 2020 OCEANE bear interest at an annual rate of 0.125%, payable semi-annually in arrears on January 30th and July 30th of each year.

The purpose of that issuance was to allow the early repayment of the Senior Secured Credit Facility of an initial principal amount of $1,750 million entered into by Alcatel-Lucent USA Inc., to extend the Group’s debt maturity and to reduce the cost of indebtedness.

Securities not convertible into equity

At December 31, 2014, only one bond issue of Alcatel Lucent (parent company) remains outstanding. That is the 8.5% senior notes issue in the amount of EUR 192 million (maturing in January 2016) traded on the Luxembourg Stock Exchange.

10.2.6 American Depositary Shares (ADS)

Description of the ADS

Each of our American Depositary Shares, or ADSs, represents one of our ordinary shares. Our ADSs trade on the New York Stock Exchange.

The following is a summary of certain provisions of the deposit agreement for the ADSs and is qualified in its entirety by reference to the deposit agreement between Alcatel Lucent and JPMorgan Chase Bank N.A., and the holders from time to time of the ADSs.

The form of the deposit agreement for the ADSs and the form of American depositary receipt (ADR) that represents our ADSs have been filed as exhibits to our registration statement on Form F-6 that we filed with the Securities and Exchange Commission on January 4, 2013. Copies of the deposit agreement are available for inspection at the principal office of JPMorgan Chase Bank, N.A., located at 1 Chase Manhattan Plaza, Floor 21, New York, 10005-1401, and at the principal office of our custodian, BNP Paribas Securities Services, located at Grands Moulins de Pantin, 9 rue du Débarcadère, 93761 Pantin Cedex, France.

Dividends, other distributions and rights

To the extent practicable, JPMorgan Chase Bank, N.A. will distribute to each holder of ADSs all distributions on deposited securities, in proportion to the number of deposited securities represented by such holder’s ADSs. To the extent that JPMorgan Chase Bank, N.A. deems any distribution below not practicable, it shall make the distribution as it deems practicable, including in foreign currency, securities or property, or the retention thereof as a deposited security.

Cash dividends and cash distributions. JPMorgan Chase Bank, N.A. will distribute cash resulting from a cash dividend or other cash distribution or the new proceeds of sales of any other distribution or portion thereof, subject to appropriate adjustment for taxes, withheld and the deduction of JPMorgan Chase Bank, N.A.’s or its agents’ fees and expenses in (1) foreign currency conversion, (2) transferring foreign currency or U.S. dollars to the United States, (3) obtaining related government approvals or licenses, and (4) making any sale by public or private means in any commercially reasonable manner.

Shares. If we distribute ordinary shares as a dividend or free distribution, JPMorgan Chase Bank, N.A. will distribute to ADS holders new ADSs representing the shares. JPMorgan Chase Bank, N.A. will distribute only whole ADSs. It will sell the shares that would have required the use of fractional ADSs and then distribute the proceeds in the same way it distributes cash.

Rights. If we offer our holders of shares warrants or any other rights, including rights to acquire additional shares, JPMorgan Chase Bank, N.A. will distribute such rights to holders of ADSs, to the extent that we timely furnish to JPMorgan Chase Bank, N.A. evidence that it may lawfully do so (we have no obligation to do so). If we do not furnish such evidence and sales of the rights are practicable, JPMorgan Chase Bank, N.A. shall distribute the net proceeds from the sales of such rights as it would cash. If we do not furnish such evidence and sales are not practicable, JPMorgan Chase Bank, N.A. does not have to take any action (and the right may lapse).

Other distributions. If JPMorgan Chase Bank, N.A. or the custodian receives a distribution of anything other than cash, shares, or rights, JPMorgan Chase Bank, N.A. will distribute the property or securities to the ADS holders by any means that JPMorgan Chase Bank, N.A. deems equitable and practicable, or to the extent JPMorgan Chase Bank, N.A., after consultation with us, deems such a distribution not equitable and practicable, it may sell the property or securities and distribute the net proceeds of the sale to the ADS holders.

Voting of the underlying shares. Under the deposit agreement, an ADS holder is entitled, subject to any applicable provisions of French law, our articles of association and bylaws and the deposited securities, to exercise voting rights pertaining to the shares represented by its ADSs. JPMorgan Chase Bank, N.A. will send ADS holders, via mail or electronically (to those ADS holders who have consented to electronic delivery), English language summaries of any materials or documents provided by us for the purpose of exercising voting rights. In addition, if we so request, JPMorgan Chase Bank, N.A. will send ADS holders a notice card or letter including instructions on how ADS holders may access the aforementioned summary through an Internet website, along with how a paper copy of such documents may be requested. JPMorgan Chase Bank, N.A. will also send to ADS holders directions as to how to give it voting instructions, as well as a statement (which may be included in the documents described above) as to how the underlying ordinary shares will be voted if JPMorgan Chase Bank, N.A. receives blank or improperly completed voting instructions.

Upon timely receipt of properly completed voting instructions, JPMorgan Chase Bank, N.A. shall either, in its discretion, vote in accordance with the instructions or forward the instructions to the custodian for voting. JPMorgan Chase Bank, N.A. shall not vote the shares other than in accordance with such instructions or in accordance with the statement described above regarding voting of shares for which it receives blank or improperly completed voting instructions. Holders are not guaranteed to receive the notice described above with sufficient time to enable the timely return of any voting instructions to JPMorgan Chase Bank, N.A.

ADSs shall be evidenced by direct registration of corresponding ADRs, unless the ADS holder notifies JPMorgan Chase Bank, N.A. that it would like the shares to be held in certificated form.

Changes affecting deposited securities. If there is any change in par value or any split-up, consolidation, cancellation or other reclassification of deposited securities, or any recapitalization, reorganization, business combination or consolidation or sale of assets involving us, JPMorgan Chase Bank, N.A. may, after consultation with us, and if reasonably requested by us, amend the form of ADR and distribute any additional or amended ADRs. If JPMorgan Chase Bank, N.A. does not amend the form of ADR or make a distribution to holders regarding the foregoing, or any net proceeds, then any securities that JPMorgan Chase Bank, N.A. receives in respect of deposited securities will become new deposited securities. Each ADS will automatically represent its share of the new deposited securities, unless JPMorgan Chase Bank, N.A. delivers new ADRs as described in the first sentence.

Amendment of the deposit agreement. We may agree with JPMorgan Chase Bank, N.A. to amend the form of the ADRs and the deposit agreement at any time, without the consent of the ADS holders. If any amendment adds or increases any fees or charges (other than taxes or other governmental charges) or prejudices an important right of ADS holders, it will not take effect as to outstanding ADSs until 30 days after JPMorgan Chase Bank, N.A. has sent the ADS holders a notice of the amendment. If any government or regulatory body adopts new laws or rules that require the amendment of the form of ADR in order to comply therewith, the form of ADR may be amended at any time, and may become effective before notice is given to holders or within any other time, as required for compliance. At the expiration of that 30-day period, each ADS holder will be considered by continuing to hold its ADSs to agree to the amendment and to be bound by the deposit agreement as so amended. The deposit agreement and the form of ADRs may not be amended to impair the ADS holder's right to surrender its ADSs and receive the ordinary shares and any other property represented by the ADRs, except to comply with mandatory provisions of applicable law.

Termination of the deposit agreement. JPMorgan Chase Bank, N.A. will terminate the deposit agreement if we ask it to do so and will notify the ADS holders at least 30 days before the date of termination. However, if JPMorgan Chase Bank, N.A. has resigned or is removed, notice shall not be sent to the holders unless a successor depositary is not operating under the deposit agreement within 60 days. After termination of the deposit agreement, JPMorgan Chase Bank, N.A. will no longer act under the deposit agreement, except to continue to:

- receive and hold (or sell) dividends and other distributions pertaining to deposited securities; and
- deliver deposited securities being withdrawn.

At any time 90 days after notice of termination is provided to holders of ADSs, JPMorgan Chase Bank, N.A. may instruct the custodian to register all securities with us in registered form (*nominatif pur*) in each ADS holder's name, at which time we shall do so and provide notice to the holders. To the extent this is not done, as soon as practicable after 60 days after termination, JPMorgan Chase Bank, N.A. may sell the deposited securities and hold the proceeds of the sale, together with any other cash then held by it, in trust for the pro rata benefit of ADS holders that have not surrendered their ADSs. JPMorgan Chase Bank, N.A. will not have liability for interest on the sale proceeds or any cash it holds.

Restrictions on the right to transfer or withdraw shares. In connection with the withdrawal of any ADS, JPMorgan Chase Bank, N.A. may require proper endorsement and written withdrawal orders from the holder, and will transfer such shares to an appropriate account. At the request, risk and expense of an ADS holder, JPMorgan Chase Bank, N.A. may deliver the shares to another place. Title to an ADS may be transferred when properly endorsed (for a certificated ADS) or upon receipt by JPMorgan Chase Bank, N.A. of appropriate documentation. Prior to registration of transfer or withdrawal, we, JPMorgan Chase Bank, N.A. or the custodian may require payment of certain taxes, fees, or other charges, as well as other documentation.

Limitations on liability of depositary

The deposit agreement expressly limits our obligations and the obligations of the depositary, and it limits our liability and the liability of the depositary. We and JPMorgan Chase Bank, N.A.:

- are not liable if either is prevented or delayed by law or circumstances beyond its control from performing its obligations under the deposit agreement;
- are not liable if either exercises, or fails to exercise, any discretion permitted under the deposit agreement;
- are obligated only to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement, unless indemnity satisfactory to it against all expense and liability is furnished as often as may be required;
- are not liable for any action or inaction by it in reliance on the advice of legal counsel, accountants, any person presenting shares for deposit, any holder, or other believed to be competent to provide such advice;

- the depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system or the insolvency of the custodian to the extent the custodian is not a branch or affiliate of JPMorgan Chase Bank, N.A.;
- the depositary shall not be liable for the price received in connection with the sale of securities, the timing thereof, any error, delay in action, omission to act, default or negligence on the part of the parties retained in connection with any such sale;
- the depositary shall not be liable for actions of the custodian, except under certain circumstances; and
- may rely without any liability upon any written notice, request or other document believed by either of us to be genuine and to have been signed or presented by the proper parties.

Moreover, neither we nor the depositary nor any of our respective agents will be liable to any holder of ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits). Pursuant to the terms of the deposit agreement, we and the depositary have agreed to indemnify each other under certain circumstances.

Fees paid by ADS holders

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees.

Persons holding, depositing or withdrawing shares must pay	For:
U.S.$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property, including stock dividends or splits, or issuances pursuant to a merger or exchange of securities Surrendering of ADSs for the purpose of withdrawal, or cancellation or reduction for any other reason
U.S.$0.02 (or less) per ADS U.S.$1.50 per ADR or ADRs	Cash distributions pursuant to the deposit agreement Transfer of shares on our share register
Other transfer or registration fees	Registration of shares on our share register to or from the name of the depositary or its agent following the deposit or the withdrawal of shares
U.S.$0.02 (or less) per ADS per year (or portion thereof)	Administration expenses (this fee may be deducted from one or more cash dividends at the sole discretion of the depositary)
Fees for distributions and sales of securities	Fee in an amount equal to the fee amount that would have been charged if securities had been deposited but were instead distributed or sold, and the net cash proceeds distributed to holders
Financial Transaction Tax - 0.2%	French tax on the transfer of shares or ADSs, as discussed below in *Taxation - Financial transaction tax on acquisitions of ordinary shares or ADSs*
Other taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

Fees and payments from the depositary to us

JPMorgan Chase Bank, N.A., has also agreed to reimburse us annually for certain expenses (subject to certain limitations) in connection with the ADR facility and to pay us annually a further amount which is a function of the issuance and cancellation fees and depositary service fees charged by the depositary to our ADS holders.

In this context, and for the fiscal year ended December 31, 2014, the Company received 16.9 million US dollars from JPMorgan Chase Bank N.A.

Ownership of shares by non-French persons

Under French law and our bylaws, no limitation exists on the right of non-French residents or non-French shareholders to own or vote our securities.

Any non-French resident (both E.U. and non-E.U.) must file an administrative notice ("*déclaration administrative*") with the French authorities in connection with any transaction which, in the aggregate, would result in the direct or indirect holding by such non-French resident of at least 33.33% of the capital or the voting rights of a French company.

The payment of all dividends to foreign shareholders must be effected through an accredited intermediary. All registered banks and credit establishments in France are accredited intermediaries.

You should refer to Section 10.1.2 "Specific provisions of the bylaws and of law" for a description of the filings required based on shareholdings.

Exchange controls

Under current French exchange control regulations, no limits exist on the amount of payments that we may remit to residents of the United States. Laws and regulations concerning foreign exchange controls do require, however, that an accredited intermediary handle all payments or transfer of funds made by a French resident to a non-resident.

Taxation

The following is a general summary of the material U.S. federal income tax and French tax consequences to you of acquiring, holding or disposing of our ordinary shares or ADSs. It does not address all aspects of U.S. and French tax laws that may be relevant to you in light of your particular situation. It is based on the applicable tax laws, regulations and judicial decisions as of the date of this annual report, and on the Convention between the United States of America and the Republic of France for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital dated as of August 31, 1994 entered into force on December 30, 1995, along with the 2004 Protocol thereto entered into force on December 21, 2006, and the 2009 Protocol thereto entered into force on December 23, 2009, all of which are subject to change (collectively, the "Treaty"), possibly with retroactive effect, or different interpretations.

With respect to the U.S. tax matters discussed, this summary only applies to you if all of the following five points apply to you:

- you own, directly or indirectly, less than 10% of our capital stock;
- you are any one of (a), (b), (c) or (d) below:

  (a) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes,

  (b) a corporation, or other entity taxable as a corporation, that is created in or organized under the laws of the United States or any political subdivision thereof,

  (c) an estate, the income of which is subject to U.S. federal income tax regardless of its source, or

  (d) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or certain electing trusts that were in existence on August 20, 1996 and were treated as domestic trusts on August 19, 1996;
- you are entitled to the benefits of the Treaty under the "Limitations on Benefits" article contained in the Treaty;
- you hold our ordinary shares or ADSs as capital assets; and
- your functional currency is the U.S. dollar.

You generally will not be eligible for the reduced withholding tax rates under the Treaty if you hold our ordinary shares or ADSs in connection with the conduct of business through a permanent establishment or the performance of services through a fixed base in France, or you are a non-resident in the United States for U.S. tax purposes, in either case within the meaning of the Treaty.

The following description of tax consequences should be considered only as a summary and does not purport to be a complete analysis of all potential tax effects of owning or disposing of our ordinary shares or ADSs. Special rules may apply to U.S. expatriates, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, real estate mortgage investment conduits, financial institutions, persons subject to the alternative minimum tax, securities broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for the securities' holdings, and persons holding their ordinary shares or ADSs as part of a hedging, straddle, conversion transaction or other integrated investment, among others. Those special rules are not discussed in this annual report. This summary does not address all potential tax implications that may be relevant to you as a holder, in light of your particular circumstances. You should consult your tax advisor concerning the overall U.S. federal, state and local tax consequences, as well as the French tax consequences, of your ownership of our ordinary shares or ADRs and ADSs represented thereby.

For purposes of the Treaty and the U.S. Internal Revenue Code of 1986, as amended (the "Code"), if you own ADSs evidenced by ADRs, you will be treated as the owner of the ordinary shares represented by such ADSs.

Taxation of dividends

Income Tax at the Progressive Rate or Withholding Tax. French resident individuals will be subject to taxation at the income tax progressive rate on only 60% of the dividends received by them from both French and foreign companies. This exemption will apply to any dividend distributed by a company that is subject to corporation tax or an equivalent tax and that is located in an EU member state or a country that has signed a tax treaty (which has an administrative assistance clause with the purpose of combating fraud and tax evasion) with France.

Dividends paid to French resident individuals on or after January 1, 2013, are subject to a compulsory withholding tax at a flat rate of 21% as an installment payment against the final tax.

French companies normally must deduct a 30% French withholding tax from dividends paid to non-resident of France. Under the Treaty, this withholding tax is reduced to 15% if your ownership of our ordinary shares or ADSs is not effectively connected with a permanent establishment or a fixed base that you have in France.

Dividends paid to a resident in a non-cooperative state or territory (NCST) are subject to a withholding tax at a rate of 75%.

If your ownership of our ordinary shares or ADSs is not effectively connected with a permanent establishment or a fixed base that you have in France, we will withhold tax from your dividend at the reduced rate of 15%, provided that you (i) complete the French Treasury Form 5000-EN (Certificate of Residence), which establishes that you are a resident of the U.S. under the Treaty, (ii) have it certified either by the Internal Revenue Service or the financial institution that is in charge of the administration of the ordinary shares or ADSs, and (iii) send it to us before the date of payment of the dividend.

If you have not completed and sent the Certificate of Residence before the dividend payment date under the "simplified" procedure, we will deduct French withholding tax at the rate of 30%. In that case, you may claim a refund from the French tax authorities under the "normal" procedure, provided that you (i) duly complete the Certificate of Residence and the French Treasury Form 5001-EN (ii) have the forms certified either by the Internal Revenue Service or the financial institution that is in charge of the administration of the ordinary shares or ADSs, and (iii) send both forms to us early enough to enable us to file them with the French tax authorities before December 31 of the second calendar year following the year during which the dividend is paid.

You can obtain the Certificate of Residence, the Form 5001-EN and their respective instructions from the Depositary, the Internal Revenue Service or the French *Centre des impôts des non-résidents*, the address of which is 10 rue du Centre, TSA, 93465 Noisy-Le-Grand, France. Copies of the Certificate of Residence and Form 5001-EN may also be downloaded from the French tax authorities' website (www.impots.gouv.fr).

Any French withholding tax refund is generally expected to be paid within 12 months after you file the relevant French Treasury Form. However, it will not be paid before January 15, following the end of the calendar year in which the related dividend is paid.

For U.S. federal income tax purposes, the gross amount of any distribution will be included in your gross income as dividend income to the extent paid or deemed paid out of our current or accumulated earnings and profits as calculated for U.S. federal income tax purposes. You must include the gross amount treated as a dividend in income in the year payment is received by you, which, if you hold ADSs, will be the year payment is received by the Depositary. Dividends paid by us will not give rise to any dividends-received deduction generally allowed to a U.S. corporation under Section 243 of the Code. Dividends paid by us generally will constitute foreign source "passive category" income for U.S. foreign tax credit purposes or, for some holders, "general category" income.

Generally, a maximum U.S. federal income tax rate of 20% will apply to dividend income received by an individual (as well as certain trusts and estates) from a U.S. corporation or from a "qualified foreign corporation" provided certain holding period requirements are met. A non-U.S. corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation if (i) the shares of the non-U.S. corporation are readily tradable on an established securities market in the United States, or (ii) the non-U.S. corporation is eligible for the benefits of a comprehensive U.S. income tax treaty determined to be satisfactory to the United States Department of the Treasury. The United States Department of the Treasury and the Internal Revenue Service have determined that the Treaty is satisfactory for this purpose. In addition, the United States Department of the Treasury and the Internal Revenue Service have determined that ordinary shares, or an ADR in respect of such shares (which would include the ADSs), are considered readily tradable on an established securities market if they are listed on an established securities market in the United States such as The New York Stock Exchange. Information returns reporting dividends paid to U.S. persons will identify the amount of dividends eligible for the reduced tax rates.

Also, for U.S. federal income tax purposes, the amount of any dividend paid in a foreign currency such as Euros, including any French withholding taxes withheld from such payment, will be equal to the U.S. dollar value of the Euros on the date the dividend is included in your taxable income, regardless of whether you convert the payment into U.S. dollars. If you hold ADSs, this date will be the date the payment is received by the Depositary. You generally will be required to recognize U.S. source ordinary income or loss when you sell or dispose of the Euros you are deemed to receive. You may also be required to recognize foreign currency gain or loss if you receive a refund of French tax withheld from a dividend in excess of the 15% rate provided for under the Treaty. In either case, this foreign currency gain or loss generally will be U.S. source ordinary income or loss.

To the extent that any distributions paid exceed our current and accumulated earnings and profits as calculated for U.S. federal income tax purposes, the distribution will be treated as follows:

- First, as a tax-free return of capital to the extent of your basis (determined for U.S. federal income tax purposes) in your ordinary shares or ADSs, which will reduce your adjusted tax basis of such ordinary shares or ADSs. This adjustment will increase the amount of gain, or decrease the amount of loss, which you will recognize if you later dispose of those ordinary shares or ADSs.
- Second, the balance of the distribution in excess of your adjusted tax basis will be taxed as capital gain.

French withholding tax imposed on the dividends you receive on your ordinary shares or ADSs at 15% under the Treaty is treated as payment of a foreign income tax generally eligible for credit against your U.S. federal income tax liability. Under the Code, in general, the limitation on foreign taxes eligible for credit is not calculated with respect to all worldwide income, but instead is calculated separately with respect to specific classes of income. For this purpose, the dividends you receive on your ordinary shares or ADSs generally will constitute "passive" income, or, for some holders, "general category" income. In general, U.S. foreign tax credits allowable with respect to each of these categories of income cannot exceed the U.S. federal income tax otherwise payable with respect to such category of income. The consequences of this "separate limitation" calculation to you will depend in general on the nature and sources of your income and deductions.

Alternatively, a U.S. person may claim all foreign taxes paid as an itemized deduction in lieu of claiming a U.S. foreign tax credit, provided that such person does not choose to take a U.S. foreign tax credit to any extent. Generally, a deduction does not reduce U.S. tax on a dollar-for-dollar basis like a tax credit; however, generally the deduction for foreign taxes paid is not subject to the limitations described above.

The U.S. foreign tax credit issues described above, including the possibility of taking a deduction for foreign taxes paid in the alternative, are very complex and depend on your individual circumstances. You are urged to consult your own tax advisor on the U.S. tax consequences of any French taxes paid in respect of your owning or disposing of our ordinary shares or ADSs.

Taxation of capital gains

If you are a resident of the United States for purposes of the Treaty, you will not be subject to French tax on any gain if you sell your ordinary shares or ADSs unless you have a permanent establishment or fixed base in France and such ordinary shares or ADSs were part of the business property of that permanent establishment or fixed base. Special rules apply to individuals who are residents of more than one country.

In general, for U.S. federal income tax purposes, you will recognize capital gain or loss if you sell or otherwise dispose of your ordinary shares or ADSs based on the difference between the amount realized on the disposition and your adjusted tax basis in the ordinary shares or ADSs. Any gain or loss generally will be U.S. source gain or loss. If you are a non-corporate holder, and you satisfy certain minimum holding period requirements, any capital gain generally will be treated as long-term capital gain that generally is subject to U.S. federal income tax at preferential rates. Long-term capital gains realized upon a sale or other disposition of our ordinary shares or ADSs generally will be subject to a maximum U.S. federal income tax rate of 20%.

Medicare contribution tax on unearned income

A U.S. holder that is an individual is subject to a 3.8% tax on the lesser of (1) such U.S. holder's "net investment income" for the relevant taxable year and (2) the excess of such U.S. holder's modified adjusted gross income for the taxable year over a certain threshold (between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder that is an estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) such U.S. holder's undistributed "net investment income" for the relevant taxable year and (2) the excess of such U.S. holder's adjusted gross income for the taxable year over the amount at which the highest tax bracket begins for that taxable year (currently $7,500). A U.S. holder's net investment income will generally include, among other items, the amount of gross dividend income and the amount of any net gains from such U.S. holder's disposition of your shares or ADSs, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to income and gains in respect of their investment in the shares or ADSs.

Financial transaction tax on acquisitions of ordinary shares or ADSs

Since August 1, 2012 a "financial transaction tax" applies to acquisitions giving rise to ownership transfer of shares or ADSs of French-listed companies with a global capitalization of at least 1 billion Euros. The tax rate is 0.2% of the share acquisition value. The tax is due by the financial services provider that undertakes the acquisition, irrespective of whether it is acting in a principal or agency capacity (or, if no financial services provider is involved in the acquisition, by the financial institution that holds the purchaser's account). Taxable transactions are broadly construed but several exceptions may apply.

Transfer tax on sale of ordinary shares or ADSs

Certain transfers of shares or ADSs of publicly traded companies that are evidenced by a written agreement, and which are not subject to the financial transaction tax described above, are subject to a 0.1% transfer tax.

The financial transaction tax and transfer tax may not be creditable in the United States for foreign tax credit purposes. U.S. holders should consult their tax advisors as to the tax consequences to them of the "financial transaction tax" and the "transfer tax."

French estate and gift taxes

Under "The Convention Between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritance and Gifts of November 24, 1978," and the 2004 Protocol amending this 1978 Convention which became effective on December 21, 2006, if you transfer your ordinary shares or ADSs by gift, or if they are transferred by reason of your death, that transfer will be subject to French gift or inheritance tax only if one of the following applies:

- you are domiciled in France at the time of making the gift, or at the time of your death, or
- you used the ordinary shares or ADSs in conducting a business through a permanent establishment or fixed base in France, or you held the ordinary shares or ADSs for that use.

The French gift or inheritance tax may be credited against the U.S. gift or inheritance tax. This tax credit is limited, however, to the amount of the U.S. gift or inheritance tax due on the shares.

French wealth tax

The French wealth tax generally does not apply to our ordinary shares or ADSs if held by a U.S. holder who is a resident of the United States for purposes of the Treaty.

U.S. information reporting and backup withholding

In general, if you are a non-corporate U.S. holder of our ordinary shares or ADSs (or do not come within certain other exempt categories), information reporting requirements will apply to distributions paid to you and proceeds from the sale, exchange, redemption or disposal of your ordinary shares or ADSs. U.S. holders that are corporations generally are excluded from these information reporting and backup withholding tax rules.

Additionally, if you are a non-corporate U.S. holder of our ordinary shares or ADSs (or do not come within certain other exempt categories) you may be subject to backup withholding at the current applicable rate with respect to such payments, unless you provide a correct taxpayer identification number (your social security number or employer identification number), and with respect to dividend payments, certify that you are not subject to backup withholding and otherwise comply with applicable requirements of the backup withholding rules. Generally, you will be required to provide such certification on Internal Revenue Service Form W-9 ("Request for Taxpayer Identification Number and Certification") or a substitute Form W-9.

If you do not provide your correct taxpayer identification number, you may be subject to penalties imposed by the Internal Revenue Service, as well as backup withholding. Backup withholding is not an additional tax. In general, any amount withheld under the backup withholding rules should be allowable as a credit against your U.S. federal income tax liability (which might entitle you to a refund), provided that you timely furnish the required information to the Internal Revenue Service.

U.S. reportable transactions

A U.S. holder that participates in any "reportable transaction" (as defined in U.S. Treasury regulations), which includes certain losses related to nonfunctional currency transactions, must attach to its U.S. federal income tax return a disclosure statement on Internal Revenue Service Form 8886 ("Reportable Transaction Disclosure Statement"). U.S. holders are urged to consult their own tax advisors as to the possible obligation to file Internal Revenue Service Form 8886 with respect to the sale, exchange or other disposition of any non-U.S. currency (including euros) received as a dividend on, or as proceeds from the sale of, our ordinary shares or ADSs.

Disclosure of information with respect to foreign financial assets

Certain U.S. holders are required to report information with respect to their investment in our ordinary shares or ADSs not held through a custodial account with a U.S. financial institution to the Internal Revenue Service. In general, U.S. taxpayers holding specified "foreign financial assets" (which generally would include our ordinary shares or ADSs) with an aggregate value exceeding $50,000 will report information about those assets on Internal Revenue Service Form 8938 ("Statement of Specified Foreign Financial Assets"), which must be attached to the taxpayer's annual income tax return. Higher asset thresholds apply to U.S. taxpayers who file a joint tax return or who reside abroad. Investors who fail to report required information could become subject to substantial penalties. You should consult your own tax advisor concerning the effect, if any, of holding your ordinary shares or ADSs on your obligation to file Form 8938.

U.S. State and local taxes

In addition to U.S. federal income tax, you may be subject to U.S. state and local taxes with respect to your ordinary shares or ADSs. You should consult your own tax advisor concerning the U.S. state and local tax consequences of holding your ordinary shares or ADSs.

10.2.7 Changes in our capital over the last five years

Type of transaction	Number of shares	Amount of capital (in Euros)	Share premium (in Euros)
Capital at 12/31/2009	**2,318,060,818**	**4,636,121,636**	**15,411,817,355.47**
Convertible securities issued by Lucent Technologies Inc.	4,768	9,536	45,383.44
Stock options exercised	219,587	439,174	- (1)
Issuance of Alcatel Lucent shares in accordance with the Alcatel Lucent performance shares plan	100,375	200,750	(200,750.00) (2)
Capital at 12/31/2010	**2,318,385,548**	**4,636,771,096**	**15,411,661,988.91**
Convertible securities issued by Lucent Technologies Inc.	20,632	41,264	165,881.28
Redemption into Alcatel Lucent shares of bonds issued by Coralec in the context of the acquisition of Spatial Wireless	100,000	200,000	991,200.00
Stock options exercised	6,109,985	12,219,970	2,601,551.30
Issuance of Alcatel Lucent shares in accordance with the Alcatel Lucent performance shares plan	767,163	1,534,326	(1,534,326.00) (2)
Capital at 12/31/2011	**2,325,383,328**	**4,650,766,656**	**15,413,886,295.49**
Issuance of Alcatel Lucent shares in accordance with the Alcatel Lucent performance shares plan	1,180,498	2,360,996	(2,360,996.00) (2)
Capital at 12/31/2012	**2,326,563,826**	**4,653,127,652**	**15,411,525,299,49**
Issuance of Alcatel Lucent shares in accordance with the Alcatel Lucent performance shares plan	2,870,871	5,734,987.20	(5,734,987.20) (2)
Stock options exercised	7,890,275	394,513.75	15,684,927.04
Convertible securities issued by Lucent Technologies Inc.	2,475	123.75	24,725.25
OCEANE 2015 conversion	15,658,262	782,913.10	46,691,918.25
Capital reduction by reducing of nominal value from EUR 2 à EUR 0.05	-	(4,542,390,904.35)	4,542,390,904.35 (3)
Issuance of Alcatel Lucent shares resulting from the capital increase with preferential subscription rights	455,568,488	22,778,424.40	903,431,902.60
Capital at 12/31/2013	**2,808,554,197**	**140,427,709.85**	**20,914,014,689.78**
Issuance of Alcatel Lucent shares in accordance with the Alcatel Lucent performance shares plan	4,435,355	221,767.75	(221,767.75) (2)
Stock options exercised	7,438,828	371,941.40	14,284,118.22
Convertible securities issued by Lucent Technologies Inc.	2,830	141.50	28,271.70
OCEANE 2018 conversion	1,060	53.00	1,747.00
Capital at 12/31/2014	**2,820,432,270**	**141,021,613.50**	**20,928,107,058.95**

(1) These shares were purchased at nominal share value, without share premium.

(2) Debit corresponding to the issuance of Alcatel Lucent shares.

(3) The amount of the capital decrease was allocated to the share premium account.

10.3 Shareholding

10.3.1 Administration of our Securities

Custodian

The shares are in registered or bearer form, at the shareholder's choice, and are fully negotiable, except when otherwise provided by legal or regulatory provisions.

Our shares are traded on the European regulated market of Euronext Paris, which represents the principal trading market for our ordinary shares. Our ordinary shares have been traded on Euronext Paris since June 3, 1987.

Since 2010, we have entrusted BNP Paribas Securities Services with the provision of services relating to our securities and, notably, with the administration of our registered shares.

Securities listed on the New York Stock Exchange

Since May 1992, our shares have been listed on the New York Stock Exchange (NYSE) in the form of American Depository Shares (ADSs).

The shares underlying the ADSs (see Section 10.2.6 "American Depositary Shares (ADS)") are deposited with a custodian. The ADSs may be negotiated on the U.S. stock markets in the same way as shares issued by U.S. listed corporations.JP Morgan Chase Bank N. A. is the depositary of the ADSs.

10.3.2 Shareholders' agreements - concerted action

At March 13, 2015, to our knowledge, there are no shareholders' agreements or agreements concerning our shares which, if implemented at a later date, would have an impact on the control of our Company.

10.3.3 Share ownership threshold

During 2014 and through March 13, 2015, a certain number of shareholders and registered intermediaries acting primarily on behalf of their customers, informed us of declarations concerning the reaching of the following legal thresholds and thresholds set forth in our bylaws (see Section 10.1.2 "Specific provisions of the bylaws and of law"):

Declaring company	Date on which the threshold was reached	Trend	% capital	% Voting rights exercisable at Shareholders' Meeting
The Capital Group Companies, Inc.	01/22/2014	↗	10.00	9.84
The Capital Group Companies, Inc.	02/14/2014	↘	9.99	9.84
The Capital Group Companies, Inc.	04/09/2014	↗	10.09	9.93
The Capital Group Companies, Inc.	04/17/2014	↗	10.31	10.14
DNCA Finance	06/02/2014	↗	2.07	NC
DNCA Finance	06/05/2014	↗	2.14	NC
BlackRock Inc.	07/31/2014	↘	4.85	4.77
Amundi	11/06/2014	↗	2.21	2.17
Amundi	11/21/2014	↗	3.00	NC
Amundi	11/24/2014	↘	2.93	NC
Amundi	12/10/2014	↗	3.05	3
Amundi	12/11/2014	↘	NC	2.98
Amundi	12/15/2014	↗	NC	3.04
Amundi	12/22/2014	↘	2.99	2.94
Amundi	12/23/2014	↗	3.00	NC
DNCA Finance	01/16/2015	↗	3.01	NC
Amundi	01/22/2015	↘	2.94	NC
DNCA Finance	01/28/2015	↘	2.96	NC
Amundi	02/02/2015	↗	3.04	NC
Amundi	02/03/2015	↗	NC	3.01
Amundi	02/10/2015	↘	NC	2.99
Amundi	02/13/2015	↘	2.99	NC
Caisse des Dépôts et Consignations	02/24/2015	↘	3.78	3.99

NC means « non communicated ».

Article L.233-9 I 4 of the French Commercial Code provides that the reporting entity is deemed to hold, in addition to shares it effectively holds, the shares that it is entitled to acquire at its sole initiative, immediately or in the future, under the terms of an agreement or a financial instrument.

Pledges of Alcatel Lucent shares

At December 31, 2014, 5,659 Alcatel Lucent shares, held by a total of 26 shareholders in registered form, both directly and through an administered account, were the subject of a pledge.

Information on the share capital of any entity member of the Group which is under or is subject to an option or a conditional or unconditional agreement

On August 19, 2014, Alcatel-Lucent USA Inc. repaid in full prior to its term the Senior Secured Credit Facility of an initial principal amount of US$1,750 million entered into in January, 2013. As a consequence, the pledges over certain securities held by Alcatel Lucent USA Inc., Alcatel-Lucent Holdings Inc. and certain other guarantors in most of their subsidiaries' securities, granted to the lenders as security for the repayment of outstanding amounts under the Facility, were cancelled and released.

Since then, there is no longer any entity member of the Group the capital of which is under or is subject to an option or a conditional or unconditional agreement.

10.3.4 Shareholding and change in its structure

Breakdown of capital and voting rights at December 31, 2014

	Capital on the basis of outstanding shares at 12.31.2014			THEORETICAL voting rights on the basis of outstanding shares at 12.31.2014 (3)		Voting rights EXERCISABLE AT SHAREHOLDERS' MEETING on the basis of outstanding shares at 12.31.2014 (4)	
Shareholders	Number of shares	% of capital	Double voting rights	Total number of votes	% of votes	Total number of votes	% of votes
The Capital Group Companies, Inc. (1)	290,280,811	10.29%	-	290,280,811	10.11%	290,280,811	10.26%
BlackRock Inc. (1)	136,616,484	4.84%	-	136,616,484	4.76%	136,616,484	4.83%
Caisse des Dépôts et Consignations (1) (2) (7)	100,901,700	3.58%	8,243,622	109,145,322	3.80%	109,145,322	3.86%
Amundi (1)	84,642,286	3.00%		84,642,286	2.95%	84,642,286	2.99%
DNCA Finance (7)	83,884,900	2.97%		83,884,900	2.92%	83,884,900	2.96%
FCP 2AL (1)	34,418,607	1.22%	33,969,215	68,387,822	2.38%	68,387,822	2.42%
Other institutional investors in France (5) (7)	107,521,500	3.81%	-	107,521,500	3.75%	107,521,500	3.80%
Treasury stock held by Alcatel Lucent (6)	13,010,214	0.46%	-	13,010,214	0.45%	-	-
Treasury stock held by subsidiaries (6)	27,110,113	0.96%	-	27,110,113	0.94%	-	-
Public	1,942,045,655	68.86%	7,947,675	1,949,993,330	67.93%	1,949,993,330	68.89%
TOTAL	**2,820,432,270**	**100.00%**	**50,160,512**	**2,870,592,782**	**100.00%**	**2,830,472,455**	**100.00%**

(1) Source: Shareholders' declaration.

(2) Including the shares held by BPI Participations France.

(3) The theoretical voting rights include the shares held by the Company and its subsidiaries which do not have voting rights.

(4) The voting rights exercisable at Shareholders' Meeting do not include shares which have no voting rights.

(5) Other institutional investors in France holding, individually, more than 0.50% of the share capital.

(6) These shares do not have voting rights pursuant to French applicable law, while held as treasury stock.

(7) Source: Alcatel Lucent (2014: TPI as of June 30, 2014 and IPREO shareholders report as of December 31, 2014).

At December 31, 2014, 23,615,815 shares and 3,166,340 ADSs were held by Florelec and 327,958 shares by Alcatel-Lucent USA Inc., as treasury stock.

At December 31, 2014, to our knowledge, The Capital Group Companies, Inc. had declared several times during fiscal year 2014, to have exceeded thresholds resulting in holding indirectly more than 5% of the capital and of the voting rights of our Company (see Section 10.3.3 "Share ownership threshold").

Voting rights

The total number of voting rights, as published by Alcatel Lucent pursuant to Article L. 233-8-II of the French Commercial Code, and Article 223-16 of the General Regulations of the AMF, was 2,870,592,782 at December 31, 2014 (including the treasury stock held by the parent company and by its subsidiaries).

To allow shareholders to determine whether they have exceeded an ownership threshold, we post the total number of voting rights monthly on our website. For the discussion of ownership thresholds, see Section 10.1.2 "Specific provisions of the by-laws and of law."

Information on voting rights, which is considered regulated information under the General Regulation of the AMF, may be viewed at the following address: www.alcatel-lucent.com, heading "Investors", then "Regulated Information".

At December 31, 2014, shareholders benefiting from double voting rights had a total of 50,160,512 votes, representing 1.78% of the voting rights.

Breakdown of capital and voting rights over the past 3 years

Shareholders	Number of shares	% of capital	Theoretical voting rights (3)	% of theoretical voting rights	Voting rights exercisable at Shareholders' Meeting (4)	% of voting rights exercisable at Shareholders' Meeting
at December 31, 2014						
The Capital Group Companies, Inc. (1)	290,280,811	10.29	290,280,811	10.11	290,280,811	10.26
BlackRock Inc. (1)	136,616,484	4.84	136,616,484	4.76	136,616,484	4.83
Caisse des Dépôts et Consignations (1) (2) (7)	100,901,700	3.58	109,145,322	3.80	109,145,322	3.86
Amundi (1)	84,642,286	3.00	84,642,286	2.95	84,642,286	2.99
DNCA Finance (1) (7)	83,884,900	2.97	83,884,900	2.92	83,884,900	2.96
FCP 2AL (1)	34,418,607	1.22	68,387,822	2.38	68,387,822	2.42
Other institutional investors in France (5) (7)	107,521,500	3.81	107,521,500	3.75	107,521,500	3.80
Treasury stock held by Alcatel Lucent (6)	13,010,214	0.46	13,010,214	0.45	-	-
Treasury stock held by subsidiaries (6)	27,110,113	0.96	27,110,113	0.94	-	-
Public	1,942,045,655	68.86	1,949,993,330	67.93	1,949,993,330	68.89
TOTAL	**2,820,432,270**	**100.00**	**2,870,592,782**	**100.00**	**2,830,472,455**	**100.00**
at December 31, 2013						
The Capital Group Companies, Inc. (1)	277,075,415	9.87	277,075,415	9.71	277,075,415	9.88
BlackRock Inc. (1)	145,789,330	5.19	145,789,330	5.11	145,789,330	5.20
Caisse des Dépôts et Consignations (1) (2)	91,830,871	3.27	100,074,493	3.51	100,074,493	3.57
Amundi	-	-	-	-	-	-
DNCA Finance	-	-	-	-	-	-
FCP 2AL (1)	35,608,766	1.27	69,340,712	2.43	69,340,712	2.47
Other institutional investors in France (5) (7)	125,259,100	4.46	125,259,100	4.39	125,259,100	4.47
Treasury stock held by Alcatel Lucent (6)	19,205,701	0.68	19,205,701	0.67	-	-
Treasury stock held by subsidiaries (6)	32,688,710	1.16	32,688,710	1.15	-	-
Public	2,081,096,304	74.10	2,085,454,870	73.03	2,085,454,870	74.41
TOTAL	**2,808,554,197**	**100.00**	**2,854,888,331**	**100.00**	**2,802,993,920**	**100.00**
at December 31, 2012						
The Capital Group Companies, Inc.	-	-	-	-	-	-
BlackRock Inc.	-	-	-	-	-	-
Caisse des Dépôts et Consignations (1) (2)	83,857,900	3.60	84,128,600	3.56	84,128,600	3.65
Amundi	-	-	-	-	-	-
DNCA Finance	-	-	-	-	-	-
FCP 2AL (1)	35,730,414	1.54	68,309,457	2.89	68,309,457	2.96
Other institutional investors in France (5) (7)	41,146,200	1.77	41,146,200	1.74	41,146,200	1.78
Treasury stock held by Alcatel Lucent (6)	25,336,243	1.09	25,336,243	1.07	-	-
Treasury stock held by subsidiaries (6)	32,851,823	1.41	32,851,823	1.39	-	-
Public	2,107,641,246	90.59	2,113,171,753	89.35	2,113,171,753	91.61
TOTAL	**2,326,563,826**	**100.00**	**2,364,944,076**	**100.00**	**2,306,756,010**	**100.00**

(1) Source: Shareholders' declaration.

(2) Including the shares held by BPI Participations France.

(3) The theoretical voting rights include the shares held by the Company and its subsidiaries which do not have voting rights.

(4) The voting rights exercisable at shareholders' meeting do not include shares which have no voting rights.

(5) Other institutional investors in France holding, individually, more than 0.50% of the share capital.

(6) These shares do not have voting rights pursuant to French applicable law, while held as treasury stock.

(7) Source: Alcatel Lucent (2014: TPI as of June 30, 2014 and IPREO shareholders report as of December 31, 2014; 2013: TPI as of June 30, 2013 and IPREO shareholders report as of December 31, 2013; 2012: TPI as of June 30, 2012 and IPREO shareholders report as of December 31, 2012).

Employees' and management's shareholding

FCP 2AL. The employee shareholdings are managed collectively through the FCP 2AL Mutual Fund (in French: *Fonds Commun* de *Placement Actionnariat Alcatel-Lucent*).

The FCP 2AL is the Group's special Mutual Fund (in French Fonds Commun de Placement d'Entreprise), put in place for the implementation of the incentive agreements and the corporate savings plans, entered into between the companies of the Alcatel Lucent group and their employees.

The FCP 2AL is categorized as a mutual fund invested in listed securities of the company (in French *FCPE investi en titres cotés de l'entreprise*). The FCP 2AL's management objective is to enable the unit holders to participate in the Group's development by investing a minimum of 95% of his or her assets in the Mutual Fund in Alcatel Lucent shares, the remainder being invested in Euro monetary UCITS (in French *OPCVM Monétaire Euro*) and/or liquidities. The Mutual Fund's performance mirrors the performance of the Alcatel Lucent's share both upwards and downwards.

At December 31, 2014, FCP 2AL unit holders held a total of 34,418,607 shares, representing 1.22% of the capital, of which 33,969,215 shares gave the shareholders double voting rights.

The FCP 2AL's percentage shareholding decreased from 1.48% at December 31, 2011 to 1.22% at December 31, 2014.

The voting rights at Alcatel Lucent Shareholders' Meetings are exercised by the FCP 2AL Supervisory Board.

Board of Directors and Management Committee At March 13, 2015, the members of the Board of Directors and of the Management Committee together held 6,775,198 Alcatel Lucent shares (including ADSs) and 48 interests in FCP 2AL, that is, 0.24% of Alcatel Lucent capital and voting rights (see Section 7.1.2 "Principles of organization of our Company's management", subsection 7.1.2.2 "Attendance fees").

03/13/2015	Alcatel Lucent ordinary shares	ADS	FCP 2AL(3)	Total	% of capital
Board of Directors (1)(2)	3,782,792	2,600,003	0	6,382,795	0.23%
Management Committee	385,382	7,021	48	392,451	0.01%
Total	**4,168,174**	**2,607,024**	**48**	**6,775,246**	**0.24%**

(1) Not including the two Board Observers.

(2) Securities held directly or indirectly by the Directors.

(3) Interests in the FCP 2AL Mutual Fund.

Directors' transactions

During fiscal year 2014 and early 2015, the Directors effected transactions in Alcatel Lucent shares, in particular pursuant to their investment obligation related to the grant of their additional Directors' fees (see Section 7.1.2 "Principles of organization of our Company's management", Subsection 7.1.2.2 "Attendance fees").

The purchases of shares by the Directors are made outside the blackout periods, as defined by the rules of conduct concerning the prevention of insider trading. These rules apply to our Directors and Management Committee members, and to any person with similar functions, as well as to any person who has access on a regular or occasional basis to insider information.

Since 2013, the duration of the blackout periods is of 30 days. The blackout periods start 30 calendar days before the release date of the annual, bi-annual and quarterly accounts and end at the beginning of the second working day following the release date. However, in exceptional circumstances, trading in Alcatel Lucent shares may occur during the blackout periods, subject to the prior written agreement of the General Counsel of the Company.

Summary of transactions carried out by some of the Directors during fiscal year 2014 and up to March 13, 2015, reported in application of Article 223-26 of the General Regulation of the AMF:

Directors	Type of transaction	Date of transaction	Number of shares	Unit price	Total amount
Francesco Caio	Acquisition	09/17/2014	2,100	€2.577	€5,455.46
Kim Crawford Goodman	Acquisition	06/09/2014 (1)	2,500	$1.335	$3,337.50

(1) Date of the regularization of the acquisition dated May 3, 2013 following the threshold below which the exemption of declaration applies having been exceeded.

10.4 Stock exchange information

10.4.1 Listing

Our shares are traded on the European regulated market of Euronext Paris, which represents the principal trading market for our ordinary shares. Our ordinary shares have been traded on Euronext Paris since June 3, 1987.

Since May 1992, our shares have been listed on the New York Stock Exchange (NYSE) in the form of American Depository Shares (ADSs).

JPMorgan Chase Bank, N.A. is the depositary of the ADSs.

ISIN Code

Since June 30, 2003, all securities traded on the Euronext Paris stock market are identified by an International Securities Identification Number (ISIN).

Alcatel Lucent: FR0000130007.

Mnemo: ALU.

Index

Our shares are included in the CAC 40 index.

10.4.2 Changes in price per share

The following table sets forth, for the periods indicated, the high and low prices, at the close of the trading day, on Euronext Paris SA for our ordinary shares:

(in Euros) **Price per share**	**High**	**Low**
2010	**2.67**	**1.87**
2011	**4.43**	**1.11**
2012	**1.95**	**0.72**
2013	**3.36**	**0.96**
First Quarter	1.26	0.97
Second Quarter	1.42	0.96
Third Quarter	2.55	1.29
Fourth Quarter	3.36	2.24
2014	**3.40**	**1.88**
First Quarter	3.40	2.70
Second Quarter	3.04	2.61
Third Quarter	2.85	2.38
Fourth Quarter	3.00	1.88
October	2.45	1.88
November	2.87	2.49
December	3.00	2.64
2015		
January	3.16	2.78
February	3.54	3.05
March (as of March 17, 2015)	3.72	3.47

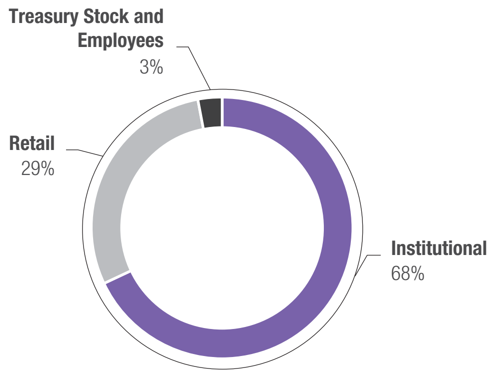
The following table sets forth, for the periods indicated, the high and low prices, at the close of the trading day, on The New York Stock Exchange for our ADSs:

(in U.S. $)

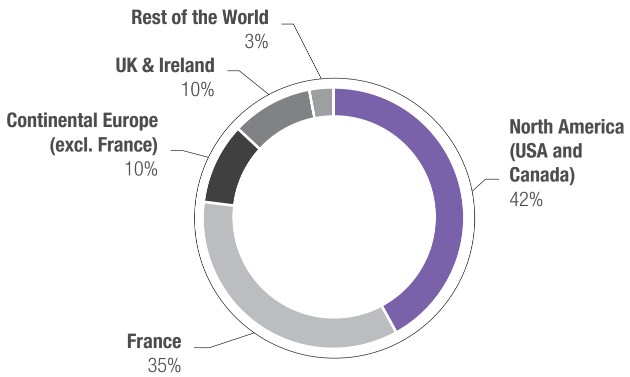
Price per share	High	Low
2010	**3.78**	**2.36**
2011	**6.54**	**1.39**
2012	**2.6**	**0.94**
2013	**4.57**	**1.28**
First Quarter	1.75	1.3
Second Quarter	1.94	1.28
Third Quarter	3.65	1.76
Fourth Quarter	4.57	3.22
2014	**4.61**	**2.36**
First Quarter	4.61	3.69
Second Quarter	4.16	3.53
Third Quarter	3.84	3.03
Fourth Quarter	3.71	2.36
October	3.00	2.36
November	3.55	3.05
December	3.71	3.24
2015		
January	3.59	3.24
February	3.92	3.44
March (as of March 17, 2015)	3.91	3.70

10.4.3 Shareholder structure

Breakdown of the capital by shareholder category at December 31, 2014



Breakdown of the capital by location at December 31, 2014



Source: IPREO

Number of shares at December 31, 2014: 2,820,432,270

10.4.4 Dividends and performance

Trend of dividend per share over 5 years

No dividends have been distributed in the five previous fiscal years.

Dividends not claimed within five years are turned over to the French Treasury.

The dividend policy is defined by our Board of Directors following an analysis, in particular, of the Group's financial position and earnings and taking into account its capital requirements and performance, current and future returns, and market practices in relation to distribution of dividends, especially in the sector of activity within which we operate. In the light of our financial results, investment needs and requirements in terms of debt management, we may decide to adjust a dividend distribution, or to not distribute a dividend.

At its meeting of February 5, 2015 our Board of Directors has recommended to pay no dividend for fiscal year 2014.

10.5 Shareholders' Meetings

10.5.1 History of main decisions taken at Shareholders' Meetings during the last 3 years

2014 Shareholders' Meeting

At the Shareholders' Meeting of May 28, 2014, the shareholders mainly:

- appointed Mrs. Véronique Morali and Mr. Francesco Caio as Directors for a period of three years expiring at the end of the Shareholders' Meeting which will consider the approval of the financial statements for the fiscal year ending December 31, 2016;
- renewed the term of office as Directors of Mrs. Kim Crawford Goodman and Mr. Jean-Cyril Spinetta for a period of three years expiring at the end of the Shareholders' Meeting which will consider the approval of the financial statements for the fiscal year ending December 31, 2016;
- submitted to the shareholders the elements of compensation due or granted to Mr. Philippe Camus as Chairman of the Board and to Mr. Michel Combes as CEO during fiscal year 2013 to obtain their advisory opinion thereon (Say on pay);
- renewed for a period of 26 months, that is, until July 2016, all of the financial authorizations granted to our Board of Directors regarding the Company's financial management, in particular by authorizing our Board to increase the capital, in accordance with various terms and conditions and for various reasons;
- renewed for a period of 38 months, that is, until July 2017, the specific authorizations concerning the grant of performance shares and stock options for the benefit of employees and executive directors.

2013 Shareholders' Meetings

At the Shareholders' Meeting of May 7, 2013, the shareholders:

- decided to appoint Mr. Michel Combes as Director for a period of three years expiring at the end of the Shareholders' Meeting which will consider the approval of the financial statements for the fiscal year ending December 31, 2015;
- renewed the term of office as Directors of Mr. Philippe Camus, Mrs. Carla Cico and Mr. Jean C. Monty, for a period of three years expiring at the end of the Shareholders' Meeting which will consider the financial statements for the fiscal year ending December 31, 2015.

At the Shareholders' Meeting of May 29, 2013, the shareholders decided to authorize the Board of Directors to reduce the Company's capital by decreasing the nominal value of our shares. The nominal value of the shares was therefore reduced from EUR 2 to EUR 0.05.

2012 Shareholders' Meeting

At the Shareholders' Meeting of June 8, 2012, the shareholders:

- renewed as Directors, Messrs. Stuart E. Eizenstat, Louis R. Hughes and Olivier Piou for a period of three years, and Lady Sylvia Jay and Mr. Jean-Cyril Spinetta for a period of two years, in order to comply with the AFEP-MEDEF Code with respect to the staggering of the Directors' terms of office;
- appointed Mr. Bertrand Lapraye as Board Observer for a period of 3 years;
- renewed the terms of the Statutory Auditors and Alternate Auditors, for a period of six fiscal years;
- renewed for a period of 26 months, that is, until November, 2014, all of the financial authorizations granted to our Board of Directors regarding the Company's financial management, in particular by authorizing our Board to increase the capital, in accordance with various terms and conditions and for various reasons.

10.5.2 Main resolutions to be presented at the 2015 Shareholders' Meeting

On February 5, 2015, the Board of Directors approved the agenda for the next Shareholders' Meeting, which will take place on Tuesday, May 26, 2015.

The notice of the meeting was published in the *Bulletin des Annonces Légales Obligatoires* on February 20, 2015. The text of the resolutions, as well as the Board's report on the resolutions, is available on the Company's website, www.alcatel-lucent.com, under the section Investors & Shareholders, then Annual General Meetings.

On March 13, 2015, the Board of Directors added a resolution to the agenda for the next Shareholders' Meeting, which will take place on Tuesday, May 26, 2015 in order to anticipate, to the extent that they would enter into force, the new conditions applicable to the performance shares as contemplated by the draft law for growth, activity and equal economic opportunities (the "Loi Macron").

All of the documentation relating to the 2015 Shareholders' Meeting which must be made available to the shareholders will also be put online on the Company's website www.alcatel-lucent.com.

Members of the Board of Directors

In addition to approving our Company's financial statements and our consolidated financial statements, the shareholders will in particular be asked, during the Shareholders' Meeting of May 26, 2015, to decide on the renewal of the terms of office of Messrs. Stuart E. Eizenstat, Louis R. Hughes and Olivier Piou, for a period of three years, all of them being qualified as independent Directors as defined in the AFEP-MEDEF Code. (See Section 7.1.2.1 "Principles of corporate governance").

At the Shareholders' Meeting, the shareholders will also be asked to approve:

- the appointment of a new Director, Mrs. Sylvia Summers, for a period of three years expiring at the end of the Shareholders' Meeting which will consider the financial statements for the fiscal year ending December 31, 2017;
- the appointment of a Board Observer, Mr. Laurent du Mouza, for a period of three years expiring at the end of the Shareholders' Meeting which will consider the financial statements for the fiscal year ending December 31, 2017.

Say on Pay

As was the case last year, the shareholders will be asked at the next Shareholders' Meeting, pursuant to the recommendation of the AFEP-MEDEF Code, to give an advisory opinion on the elements of the compensation due or granted during fiscal year 2014, to the Executive Directors (see Section 8.2.1 "Compensation policy for the Executive Directors and Officers"). The elements of the compensation of Mr. Philippe Camus, Chairman of the Board of Directors and Mr. Michel Combes, CEO, will therefore be subject to the advisory opinion of the shareholders.

Authorizations related to the capital

Some of the delegations of authority given to the Board of Directors by the shareholders at its meeting of May 28, 2014, have been fully used. The shareholders will be asked to renew these authorizations, in order to provide the Board of Directors with a broad financial flexibility to select the appropriate type of issuance and adapt, when necessary, the type of financial instruments to issue taking into account the market situation and opportunities, either in France or abroad, in order to react to a changing market in a timely manner.

Specific authorizations for the benefit of the employees and Executive Directors

The renewal before its term of the authorization related to the grant of performance shares approved by the Shareholders' Meeting of May 28, 2014 falls under the scope of the provisions of the "Loi Macron." The measures included in the "Loi Macron" would allow the Company to grant performance shares at the end of a minimum three-year vesting period, which could be followed by a mandatory holding period, instead of the minimum 4-year period currently applicable composed of the vesting and holding periods. In addition, it will be proposed that the number of performance shares granted could not exceed 1.5% of the share capital (instead of the current 2%) over a period of 26 months (instead of the current 38 months).

Amendments to the bylaws

The shareholders will be proposed at the next Shareholders' Meeting to render Article 21 of the Company's bylaws ("Shareholders' Meetings") in compliance with the provisions of Article R. 225-85 of the French Commercial Code as amended by Decree No. 2014-1466 of December 8, 2014 setting the record date at the second working day preceding the shareholders' meeting at midnight, Paris time (Paragraphs 3 and 6) and updating the provisions governing the process of voting forms based on this record date, that is, with a deadline for receipt also reduced to two working days (Paragraph 4).

Summary of authorizations to be proposed at the 2015 Shareholders' Meeting

The table below shows the financial authorizations and specific authorizations for the benefit of the Company's employees and Executive Directors, the renewal of which will be proposed at the Shareholders' Meeting on May 26, 2015 and the use of the previous authorizations during their validity period:

PROPOSED RESOLUTIONS 2015 | *PREVIOUS RESOLUTIONS (2014 Shareholders' Meeting)*

		Nature	Caracteristics (ceiling, discount)	% capital	% capital	Utilization	Remaining % Capital
AUTHORIZATIONS - VALIDITY: 18 MONTHS							
		Share repurchase *(resolution 11)*	-	10%	**10%**	None	10%
		Share cancellation *(resolution 12)*	-	10%	**10%**	None	10%
ISSUANCE OF SECURITIES - VALIDITY: 26 MONTHS							
Maximum common amount applicable to all dilutive and non-dilutive issuances: EUR 56.5 million (40% of the capital)		*Capital increase WITH PSR (resolution 13)*	**Global ceiling: EUR 56.5 million** (1,130 million shares); Maximum nominal amount of debt securities : EUR 5 billion	**40%**	**33%**	10%*	**23%*****
		Capital increase WITHOUT PSR (resolution 14 to 17 and 19)					
		Public offer WITH priority subscription period *(resolution 14)*	**Ceiling: EUR 28.25 million** (565 million shares); Maximum nominal amount of debt securities : EUR 5 billion; Maximum discount of 5%; Priority subscription period of at least 5 days	*20%**	*20%***	*None*	**10%*****
	Maximum amount applicable to dilutive issuances and without priority subscription period: EUR 14.1 million (10% of the capital)	Public offer WITHOUT priority subscription period *(resolution 14)*	**Ceiling: EUR 14.1 million** (282 million shares); Maximum nominal amount of debt securities: EUR 5 billion; Maximum discount of 5%	*10%*	*10%*	*None*	*0%****
		Private placement (Art L. 411-2 II of the French Monetary and Financial Code) *(resolution 15)*	Maximum discount of 5%	*10%*	*10%*	*10%*	*0%****
		Greenshoe *(resolution 16)*	**15%** of the initial issue	*15% of the initial issue*	*15% of the initial issue*	*15% of the initial issue*	*N/A*
		Contributions in kind *(resolution 17)*	-	*10%*	*10%*	*None*	*0%****
		Determination of price under public offer and private placement *(resolution 19)*	Flexibility of the reference period; Maximum discount of 5%	*10%*	*10%*	*None*	*N/A*
		Capital increase by capitalization of reserves, profits, premiums *(resolution 18)*	EUR 5 billion	EUR 5 billion	-	None	-
ISSUANCE RESERVED TO EMPLOYEES AND EXECUTIVE DIRECTORS - VALIDITY: 26 MONTHS							
		Capital increase reserved to employees *(resolution 20)*	Maximum discount of 5%	2%	**2%**	None	2%
		Performance shares *(resolution 21)*	Executive Directors : limit of 6% of the grants (that is, less than 0.09% of share capital)	1,5%	**2%**	0,37%	1,63%

NB: Share capital at December 31, 2014: EUR 141 million, that is, 2,820.4 million shares with a nominal value of EUR 0.05.

PSR : Preferential Subscription Right.

* *The 10% used correspond to the June, 2014 issuance through a private placement.*

** *To be counted towards the ceiling of 33% mentioned in resolution 13 approved at the 2014 Shareholders' Meeting, related to the capital increase WITH PSR.*

*** *Due to the issuance made in June 2014 through a private placement representing 10 % of the capital (this percentage being the maximum amount of the authorizations for the issuances WITHOUT PSR and WITHOUT priority subscription period).*

The maximum ceiling of the authorizations for the issuances of securities WITHOUT preferential subscription right and WITHOUT priority subscription period (resolution 14, 15, 16 and 17) amounts to 10% of the capital and count towards the global ceiling of 40% of the capital mentioned in resolution 13 related to the issuance of securities WITH preferential subscription right.

Controls and procedures, Statutory Auditors' fees and other matters

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11.1 Controls and procedures

Disclosure controls and procedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that these disclosure controls and procedures are effective at the reasonable assurance level described in the following sentence. There can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within Alcatel Lucent to disclose material information otherwise required to be set forth in our reports, although our management has concluded that, as of the end of the period covered by this report, our disclosure controls and procedures provide reasonable assurance of achieving these objectives.

Management's annual report on internal control over financial reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting for Alcatel Lucent. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective can only provide reasonable assurance with respect to financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under these criteria, we concluded that, as of December 31, 2014, our internal control over financial reporting is effective.

Deloitte & Associés and Ernst & Young et Autres, the independent registered public accounting firms that audited the consolidated financial statements in this annual report, have issued a report on Alcatel Lucent's internal control over financial reporting, as stated in their report set forth in Section 11.1.1 "Report of independent registered public accounting firms" of this annual report.

11.1.1 Report of Independent Registered Public Accounting Firms

To the Shareholders and the Board of Directors of Alcatel Lucent (and subsidiaries)

We have audited Alcatel Lucent and its subsidiaries' ("the Group") internal control over financial reporting as at December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Group as of December 31, 2014, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 19, 2015 expressed an unqualified opinion thereon.

s/ DELOITTE & ASSOCIES

s/ ERNST & YOUNG et Autres
Represented by
Jean-François Ginies

Neuilly-sur-Seine and Paris-La Défense, March 19, 2015

11.1.2 Statutory Auditors

Our Statutory Auditors who report on our parent company and consolidated accounts and our Alternate Auditors are:

	Appointment (1)	Most recent renewals (1)	Expiration of mandate
Statutory Auditors			
Deloitte & Associés, represented by Mr. Jean-Pierre Agazzi 185, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex	06/18/1998	06/08/2012	12/31/2017
Ernst & Young et Autres, represented by Mr. Jean-François Ginies Tour First, 1-2, place des Saisons 92400 Courbevoie-Paris La Défense 1	06/23/1994	06/08/2012	12/31/2017
Alternate Auditors			
BEAS 195, avenue Charles de Gaulle 92200 Neuilly sur Seine	09/07/2006	06/08/2012	12/31/2017
Auditex 1-2, place des Saisons 92400 Courbevoie-Paris La Défense 1	09/07/2006	06/08/2012	12/31/2017

(1) Date of the Annual Shareholders' Meeting.

Change in Statutory Auditors

Not applicable.

11.1.3 Statutory Auditors' fees

Fees of our Statutory Auditors and their international networks in 2013 and in 2014:

	Deloitte & Associés (Deloitte Touche Tohmatsu network)				Ernst & Young (EY network)			
(in thousands of euros)	2013		2014		2013		2014	
1. Audit								
Audit fees (statutory audit, audit of consolidated financial statements and certification)	**7,270**	***63%***	**7,372**	***81%***	**7,121**	***72%***	**6,795**	***78%***
Issuer	2,365	*20%*	2,438	*27%*	2,445	*25%*	2,398	*28%*
Consolidated entities	4,905	*42%*	4,934	*54%*	4,676	*48%*	4,397	*50%*
Audit-related fees	**3,874**	***33%***	**1,638**	***18%***	**2,447**	***25%***	**1,723**	***20%***
Issuer	578	*5%*	140	*2%*	2,123	*22%*	1,289	*15%*
Consolidated entities	3,296	*28%*	1,498	*16%*	324	*3%*	434	*5%*
SUB-TOTAL	**11,144**	***96%***	**9,010**	***99%***	**9,568**	***97%***	**8,518**	***98%***
2. Other services (not audit-related)								
Tax services	101	*1%*	123	*1%*	64	*1%*	122	*1%*
Other services	325	*3%*	25	*0%*	212	*2%*	98	*1%*
SUB-TOTAL	**426**	***4%***	**148**	***1%***	**276**	***3%***	**220**	***2%***
TOTAL	**11,570**	***100%***	**9,158**	***100%***	**9,844**	***100%***	**8,738**	***100%***

The table above provides the fees of Alcatel Lucent's independent auditors and their international networks for the consolidated entities of the Group relating to the periods 2013 and 2014.

In accordance with U.S. regulatory requirements around external auditors' independence, the Audit and Finance Committee has a policy regarding pre-approval of certain audit services and permissible non-audit services provided by our independent auditors. Our independent auditors may only be engaged to provide such services after having received confirmation that these services are included in the list of pre-approved services by the Audit and Finance Committee. Non-prohibited services which are however not included in the pre-approved services must be specifically approved by the Audit and Finance Committee.

Note 1 Audit fees (statutory audit, audit of consolidated financial statements and certification)

The services included are those imposed by applicable law or regulations. More specifically, the services envisaged by the CNCC guide on professional standards in its Chapters 2, 5 and 6 are included.

Audit fees consist of fees billed for the annual audit of the Group's consolidated financial statements and the statutory accounts of all consolidated entities (both French and foreign). They also include the review of documents filed with the SEC and which encompasses procedures on internal controls in accordance with Section 404 of the Sarbanes-Oxley Act.

Note 2 Audit-related fees

Audit related fees consist of fees billed by the independent auditors or by their networks for services that are reasonably related to the performance of the audit of the Company's (or its affiliates') financial statements. Such services fall within Articles 10, 23 and 24, respectively, of the Code of Ethics of IFAC (International Federation of Accountants). Such procedures or services are generally non-recurrent and may only reasonably be provided by the independent auditors.

Note 3 Other services (non-audit related)

Non-audit related services are services provided by the independent auditors. Those services are carried out in accordance with Article 24 of the Code of Ethics of IFAC. Non-audit services include tax services and other services mostly to be categorized as consultancy.

Note 4 Tax services

Tax services include tax compliance, tax advice and tax planning. They can include general expatriate services. Such services are generally non-recurrent.

Note 5 Other services

Other services are all services provided by our independent auditors and which do not fall under one of the above specific categories. Such services are mostly specific and non-recurrent.

11.2 Documents on display

We file reports with the Securities and Exchange Commission that contain financial information about us and our results of operations. You may read or copy any document that we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. All of our Securities and Exchange Commission filings made after February 4, 2002 are available to the public at the SEC web site at www.sec.gov. Our web site at www.alcatel-lucent.com includes information about our business and also includes some of our Securities and Exchange Commission filings prior to February 4, 2002. The contents of our website are not incorporated by reference into this document.

The articles of association of Alcatel Lucent as well as reports from the Board of Directors to the Shareholder's Meeting, auditors reports, historical financial statements of the Company for the last three fiscal years and any other document sent to or required by law to be made available to shareholders, may be reviewed at the Company's registered head office at 148-152 Route de la Reine - 92100 Boulogne Billancourt - France.

Any shareholder can also consult/download from our website under the heading "Regulated information", the 2014 reference document filed with the AMF, which includes:

- the annual financial report (which is Chapter 6 "Operating and financial review and prospects" of this document);
- the Statutory Auditors' reports on the parent company and consolidated accounts;
- the special report of the Statutory Auditors concerning regulated agreements and commitments;
- the report from the Chairman of the Board of Directors on the corporate governance and on internal control and risk management required under French law;
- the Statutory Auditors' report on the report prepared by the Chairman of the Board of Directors, and;
- the information relating to the Statutory Auditors' fees (which is also set forth in Section 11.1.3 "Statutory Auditors' fees" of this document).

11.3 Audit Committee financial expert

Our Board of Directors has determined that Mr. Jean C. Monty is an "audit committee financial expert" and that he is independent under the applicable rules promulgated by the Securities and Exchange Commission and The New York Stock Exchange.

11.4 Code of ethics

On February 4, 2004, our Board of Directors adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Corporate Controller. On May 24, 2012, we made some non-substantive changes to the Code of Ethics to reflect changes made to some of the terms used in relevant legislation or documents referred to in this Code of Ethics since the initial adoption by our Board of Directors in 2004 (see Section 7.3, "Alcatel Lucent Code of Conduct"). A copy of our Code of Ethics for Senior Financial Officers has been posted on our website, www.alcatel-lucent.com. This Code of Ethics is in addition to our Alcatel Lucent Code of Conduct, which also applies to our senior financial officers.

11.5 Financial statements

The following consolidated financial statements of Alcatel Lucent, together with the report of Deloitte & Associés and Ernst & Young et Autres for the years ended December 31, 2014, 2013 and 2012 are filed as part of this annual report.

All schedules have been omitted since they are not required under the applicable instructions or the substance of the required information is shown in the financial statements.

11.6 Exhibits

1.1	Statuts (Articles of Association and Bylaws) of Alcatel-Lucent (English translation), dated December 31, 2014.
2.1	Form of Second Amended and Restated Deposit Agreement, among Alcatel-Lucent, JPMorgan Chase Bank N.A., as Depositary, and the holders from time to time of the ADSs issued thereunder, including the form of ADR (incorporated by reference to Exhibit (a) to Alcatel-Lucent's Registration Statement on Form F-6 filed January 4, 2013). (File No. 333-185880).
4.1	Credit and Guaranty Agreement, dated January 30, 2013, by and among Alcatel-Lucent USA Inc., as borrower, Alcatel-Lucent Holdings Inc., as holdings and a guarantor, Alcatel Lucent as parent and a guarantor, and Credit Suisse AG; Goldman Sachs Bank USA; Citicorp North America, Inc.; and Deutche Bank Trust Company Americas (incorporated by reference to Exhibit 4.5 to Alcatel-Lucent's Form 20-F for the year ended December 31, 2012, filed March 12, 2013). (Pursuant to Rule 24b-2, confidential information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.)
4.2	First Amendment to Credit and Guaranty Agreement, dated as of April 11, 2013, by and between Alcatel-Lucent USA Inc. and Credit Suisse AG, as administrative agent for the lenders, and acknowledged and agreed to by Alcatel-Lucent Holdings Inc. and Credit Suisse AG, as collateral agent for the secured parties (incorporated by reference to Exhibit 99.2 to Alcatel-Lucent's Form 6-K filed September 30, 2013).
4.3	Second Amendment to Credit and Guaranty Agreement, dated as of August 16, 2013, by and among Alcatel-Lucent USA Inc., Alcatel-Lucent Holdings Inc., Alcatel Lucent, the subsidiary guarantors party thereto, the lenders party thereto, Credit Suisse AG, as administrative agent for the lenders, with Morgan Stanley Senior Funding, Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Citigroup Global Markets Inc., as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 99.1 to Alcatel-Lucent's Form 6-K filed September 30, 2013). (Pursuant to Rule 24b-2, confidential information has been omitted and filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Application filed with the Commission.)
4.4	Third Amendment to Credit and Guaranty Agreement, dated as of February 18, 2014, by and among Alcatel-Lucent USA Inc., Alcatel-Lucent Holdings Inc., Alcatel Lucent, the subsidiary guarantors party thereto, the existing lenders and the joining new lenders party thereto, and Credit Suisse AG, as administrative agent for the lenders and as collateral agent for the secured parties, with Morgan Stanley Senior Funding, Inc. and Credit Suisse Securities (USA) LLC as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 99.1 to Alcatel-Lucent's Form 6-K filed March 10, 2014).
8.	List of subsidiaries (see Note 33 to our consolidated financial statements included elsewhere herein).
12.1	Certification of the Chief Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of the Chief Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
13.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
15.1	Consent of Independent Registered Public Accounting Firm - Deloitte & Associés.
15.2	Consent of Independent Registered Public Accounting Firm - Ernst & Young et Autres.

Alcatel-Lucent and its consolidated subsidiaries are party to several long-term debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of the company and its subsidiaries on a consolidated basis. Pursuant to paragraph 2(b)(i) of Item 19 to Form 20-F, Alcatel-Lucent agrees to furnish a copy of such instruments to the SEC upon request.

11.7 Cross-reference table between Form 20-F and this document

FORM 20-F	2014 ANNUAL REPORT ON 20-F
Item 1: Identity of Directors, Senior Management and Advisers	N/A
Item 2: Offer Statistics and Expected Timetable	N/A
Item 3: Key Information	
A. Selected financial data	Chapter 1 Selected financial data
B. Capitalization and indebtedness	N/A
C. Reasons for the offer and use of proceeds	N/A
D. Risk factors	Chapter 3 Risk factors
Item 4: Information On The Company	
A. History and development of the Company	Chapter 4 Information about the Group
B. Business overview	Chapter 2 Activity overview, Chapter 5 Description of the Group's activities and Chapter 6 Operating and financial review and prospects, Sections 6.1 through 6.3
C. Organizational structure	Section 4.3 Structure of the main consolidated companies as of December 31, 2014
D. Property, plants and equipment	Section 4.4 Real estate and equipment
Item 4A: Unresolved Staff Comments	N/A
Item 5: Operating and Financial Review and Prospects	
A. Operating results (significant factors materially affecting the Company's income from operations)	Chapter 6 Operating and financial review and prospects: Introduction and Sections 6.2 through 6.3
B. Liquidity and capital resources	Section 6.4 Liquidity and capital resources
C. Research and development, patents and licenses, etc.	Section 6.9 Research and development - expenditures, headings "Research and Development costs" of Section 6.2 and Section 6.3
D. Trend information	Section 6.1 Overview of 2014 and Section 6.6 Strategy and Outlook
E. Off-Balance sheet arrangements	Section 6.5 Contractual obligations and off-balance sheet contingent commitments
F. Tabular disclosure of contractual obligations	Heading "Contractual obligations" of Section 6.5 Contractual obligations and off-balance sheet contingent commitments
G. Safe harbor	
Item 6: Directors, Senior Management and Employees	
A. Directors and senior management	Section 7.1 Chairman's corporate governance report
B. Compensation	Section 7.1 Chairman's corporate governance report, Section 7.2 Regulated agreements and Chapter 8 Compensation and long-term incentives
C. Board practices	Section 7.1 Chairman's corporate governance report, Section 7.3 Alcatel Lucent Code of Conduct and Section 11.4 Code of ethics
1. Date of expiration of the current term of office and the period during which the person has served it that office	Subsection 7.1.1 Management bodies of the Company
2. Directors' service contracts with the Company or any of its subsidiaries	Chapter 8 Compensation and long-term incentives and Section 7.2 Regulated agreements
3. Company's audit committee and remuneration committee	Subsection 7.1.3 Powers and activity of the Board of Directors
D. Employees	Section 9.2 Human resources

FORM 20-F	2014 ANNUAL REPORT ON 20-F
E. Share ownership (with respect to the persons listed in Item 6.B.2)	
1. Disclosure on an individual basis of the number of shares and percent of shares outstanding of that class, and their voting rights; options granted to these persons on the Company's shares (title and amount of securities called for by the options, exercise price, purchase price if any, expiration date of the options)	Subsection 7.1.1 Management bodies of the Company, Chapter 8 Compensation and long-term incentives and heading "Employees' and management's shareholding" of Subsection 10.3.4
2. Any arrangements for involving the employees in the capital of the Company, including any arrangement that involves the issue or grant of options or shares or securities of the Company	Chapter 8 Compensation and long-term incentives
Item 7: Major Shareholders and Related Party Transactions Employees	
A. Major shareholders	Subsection 10.3.3 Share ownership threshold, Subsection 10.4.3 Shareholder structure and Subsection 10.3.4 Shareholding and change in its structure
B. Related party transactions	Section 7.2 Regulated agreements
C. Interests of experts and counsel	N/A
Item 8: Financial Information	
A. Consolidated statements and other financial information	Section 1.1 Condensed consolidated income statement and statement of financial position data, Chapter 12 Alcatel-Lucent consolidated financial statements at December 31, 2014, Section 6.8 Legal Matters and Subsection 10.4.4 Dividends and performance
B. Significant changes since the date of the annual financial statements	N/A
Item 9: The Offer and Listing	
A. Offer and listing details	Subsection 10.4.1 Listing and Subsection 10.4.2 Changes in price per share
B. Plan of distribution	N/A
C. Markets	Subsection 10.4.1 Listing
D. Selling shareholders	N/A
E. Dilution	N/A
F. Expenses of the issue	N/A
Item 10: Additional Information	
A. Share capital	Chapter 10 Listing and shareholdings and Chapter 8 Compensation and long-term incentives
B. Memorandum and articles of association	Section 7.1.3 Powers and activity of the Board of Directors, Subsection 10.1.1 Legal information, Subsection 10.1.2 Specific provisions of the bylaws and of law, heading "Ownership of shares by non-French persons" of Subsection 10.2.6 American Depositary Shares (ADS) and Section 10.5 Shareholders' Meetings
C. Material contracts	Section 4.5 Material contracts
D. Exchange controls	Heading "Exchange controls" of Subsection 10.2.6 American Depositary Shares (ADS)
E. Taxation	Heading "Taxation" of Subsection 10.2.6 American Depositary Shares
F. Dividends and paying agents	N/A
G. Statement by experts	N/A
H. Documents on display	Section 11.2 Documents on display
I. Subsidiary information	No information in this regard
Item 11: Quantitative and Qualitative Disclosures About Market Risk	Section 6.7 Qualitative and quantitative disclosures about market risks

FORM 20-F	2014 ANNUAL REPORT ON 20-F
Item 12: Description of Securities Other than Equity Securities	
D. American Depositary Shares	Subsection 10.2.6 American Depositary Shares (ADS)
Item 13: Defaults, Dividends Arrearages and Delinquencies	N/A
Item 14: Market Modifications to the Rights of Security Holders and Use of Proceeds	N/A
Item 15: Controls and Procedures	Chapter 11 Controls and procedures, Statutory auditors' fees and other matters
(a) Disclosure controls and procedures	Heading Disclosure controls and procedures of Section 11.1 Controls and procedures
(b) Management's annual report on internal control over financial reporting	Heading Management's annual report on internal control over financial reporting of Section 11.1 Controls and procedures
(c) Attestation report of the registered public accounting firm on management's assessment of the issuer's internal control over financial reporting.	Section 11.1.1 Report of independent registered public accounting firms
(d) Changes in internal control over financial reporting	Heading Management's annual report on internal control over financial reporting of Section 11.1 Controls and procedures
Item 16: Reserved	(Reserved)
Item 16A: Audit Committee Financial Expert	Section 11.3 Audit Committee financial expert
Item 16B: Code of Ethics	Section 11.4 Code of ethics
Item 16C: Principal Accountant Fees and Services	Subsection 11.1.2 Statutory Auditors and Subsection 11.1.3 Statutory Auditors' fees
Item 16D: Exemptions from the Listing Standards for Audit Committee	N/A
Item 16E: Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Subsection 10.2.2 Purchase of Alcatel Lucent shares by the Company
Item 16F: Change in Registrant's Certifying Accountant	Subsection 11.1.2 Statutory Auditors
Item 16G: Corporate Governance	Section 7.4 Major differences between our corporate governance practices and NYSE requirements
Item 16H: Mine Safety Disclosure	N/A
Item 17: Financial Statements	*See* Section 11.5 Financial statements
Item 18: Financial Statements	*See* Section 11.5 Financial statements
Item 19: Exhibits	Section 11.6 Exhibits

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ALCATEL-LUCENT	
By:	/s/ Jean Raby
Name:	Jean Raby
Title:	Chief Financial and Legal Officer

March 24, 2015

Alcatel-Lucent consolidated financial statements at December 31, 2014

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Report of Independent Registered Public Accounting Firms

To the Shareholders and the Board of Directors of Alcatel Lucent (and subsidiaries)

We have audited the accompanying consolidated statements of financial position of Alcatel Lucent and subsidiaries (the "Group") as of December 31, 2014, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 19, 2015 expressed an unqualified opinion thereon.

s/ DELOITTE & ASSOCIES

s/ ERNST & YOUNG et Autres
Represented by
Jean-François Ginies

Neuilly-sur-Seine and Paris-La Défense, March 19, 2015

Consolidated income statements

(In millions except per share data)	Notes	2014 (1)	2014	2013 (2)	2012 (2)
Revenues	(5) & (6)	U.S.$ 15,947	€13,178	€13,813	€13,764
Cost of sales		(10,613)	(8,770)	(9,491)	(9,753)
Gross profit		5,334	4,408	4,322	4,011
Administrative and selling expenses		(1,962)	(1,621)	(1,862)	(2,161)
Research and development costs		(2,680)	(2,215)	(2,268)	(2,330)
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)	692	572	192	(480)
Restructuring costs	(25)	(695)	(574)	(518)	(479)
Litigations		9	7	(2)	2
Gain/(loss) on disposal of consolidated entities		24	20	2	11
Impairment of assets	(11)	-	-	(548)	(894)
Post-retirement benefit plan amendments	(23)	136	112	135	204
Income (loss) from operating activities		166	137	(739)	(1,636)
Finance cost	(7)	(352)	(291)	(392)	(279)
Other financial income (loss)	(7)	(256)	(211)	(318)	(394)
Share in net income (losses) of associates & joint ventures		18	15	7	5
Income (loss) before income tax and discontinued operations		(424)	(350)	(1,442)	(2,304)
Income tax (expense) benefit	(8)	383	316	173	(423)
Income (loss) from continuing operations		(41)	(34)	(1,269)	(2,727)
Income (loss) from discontinued operations	(9)	(59)	(49)	(25)	639
NET INCOME (LOSS)		(100)	(83)	(1,294)	(2,088)
Attributable to:					
• **Equity owners of the parent**		**(143)**	**(118)**	**(1,304)**	**(2,011)**
• Non-controlling interests		42	35	10	(77)
Earnings (loss) per share (in euros) (3)	**(10)**				
• Basic earnings (loss) per share					
– from continuing operations		(0.02)	(0.02)	(0.53)	(1.11)
– from discontinued operations		(0.02)	(0.02)	(0.01)	0.27
– attributable to the equity owners of the parent		(0.05)	(0.04)	(0.54)	(0.84)
• Diluted earnings (loss) per share:					
– from continuing operations		(0.02)	(0.02)	(0.53)	(1.11)
– from discontinued operations		(0.02)	(0.02)	(0.01)	0.22
– attributable to the equity owners of the parent		(0.05)	(0.04)	(0.54)	(0.84)

(1) Translation of amounts from euros into U.S. dollars has been made merely for the convenience of the reader at Noon Buying Rate of €1 = U.S.$1.2101 on December 31, 2014.

(2) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(3) As a result of the 2013 capital increase made by Alcatel-Lucent through 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.

Consolidated statements of comprehensive income

(In millions)	Notes	2014 (1)	2014	2013	2012
Net income (loss) for the year		U.S.$ (100)	€ (83)	€(1,294)	€(2,088)
Items to be subsequently reclassified to Income Statement		**617**	**510**	**(221)**	**(4)**
Financial assets available for sale	(15)	10	8	11	16
Cumulative translation adjustments		608	503	(232)	(34)
Cash flow hedging	(26b/iii)	(1)	(1)	-	14
Tax on items recognized directly in equity	(8)	-	-	-	-
Items that will not be subsequently reclassified to Income Statement		**(1,897)**	**(1,568)**	**1,411**	**71**
Actuarial gains (losses) and adjustments arising from asset ceiling limitation and IFRIC 14	(23c)	(2,205)	(1,822)	1,667	172
Tax on items recognized directly in equity	(8)	308	254	(256)	(101)
Other comprehensive income (loss) for the year		(1,280)	(1,058)	1,190	67
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(1,380)	(1,141)	(104)	(2,021)
Attributable to:					
• **Equity owners of the parent**		**(1,520)**	**(1,256)**	**(99)**	**(1,933)**
• Non-controlling interests		139	115	(5)	(88)

(1) Translation of amounts from euros into U.S. dollars has been made merely for the convenience of the reader at Noon Buying Rate of €1 = U.S.$1.2101 on December 31, 2014.

Consolidated statements of financial position

(In millions) ASSETS	Notes	December 31, 2014 (1)	December 31, 2014	December 31, 2013	December 31, 2012
Non-current assets:					
Goodwill	(11)	U.S.$ 3,849	€ 3,181	€ 3,156	€ 3,820
Intangible assets, net	(12)	1,224	1,011	1,001	1,175
Goodwill and intangible assets, net		**5,073**	**4,192**	**4,157**	**4,995**
Property, plant and equipment, net	(13)	1,370	1,132	1,075	1,133
Investments in associates & joint ventures	(14)	62	51	35	29
Other non-current financial assets, net	(15)	491	406	322	341
Deferred tax assets	(8)	1,834	1,516	1,000	985
Prepaid pension costs	(23)	3,190	2,636	3,150	2,797
Other non-current assets	(21)	519	429	413	428
Total non-current assets		12,539	10,362	10,152	10,708
Current assets:					
Inventories and work in progress, net	(17) & (18)	2,385	1,971	1,935	1,940
Trade receivables and other receivables, net	(17) & (19)	3,059	2,528	2,482	2,860
Advances and progress payments	(17)	52	43	46	53
Other current assets	(21)	1,061	877	751	726
Current income taxes		78	64	33	118
Marketable securities, net	(15) & (24)	2,023	1,672	2,259	1,528
Cash and cash equivalents	(16) & (24)	4,693	3,878	4,096	3,401
Current assets before assets held for sale		**13,351**	**11,033**	**11,602**	**10,626**
Assets held for sale and assets included in disposal groups held for sale	(9)	79	65	142	20
Total current assets		13,430	11,098	11,744	10,646
TOTAL ASSETS		25,969	21,460	21,896	21,354

(In millions) EQUITY AND LIABILITIES	Notes	December 31, 2014 (1)	December 31, 2014	December 31, 2013	December 31, 2012
Equity:					
Capital stock		U.S.$ 171	€ 141	€ 140	€ 4,653
Additional paid-in capital		25,254	20,869	20,855	16,593
Less treasury stock at cost		(1,312)	(1,084)	(1,428)	(1,567)
Accumulated deficit, fair value and other reserves		(21,338)	(17,633)	(14,588)	(15,159)
Other items recognized directly in equity		63	52	45	-
Cumulative translation adjustments		(443)	(366)	(787)	(571)
Net income (loss) - attributable to the equity owners of the parent		(143)	(118)	(1,304)	(2,011)
Equity attributable to equity owners of the parent		**2,252**	**1,861**	**2,933**	**1,938**
Non-controlling interests	(14d)	1,008	833	730	745
Total equity	(22)	3,260	2,694	3,663	2,683
Non-current liabilities:					
Pensions, retirement indemnities and other post-retirement benefits	(23)	6,248	5,163	3,854	5,338
Convertible bonds and other bonds, long-term	(24)	5,683	4,696	4,711	3,727
Other long-term debt	(24)	216	179	211	227
Deferred tax liabilities	(8)	1,055	872	990	889
Other non-current liabilities	(21)	212	175	188	177
Total non-current liabilities		13,414	11,085	9,954	10,358
Current liabilities:					
Provisions	(25)	1,651	1,364	1,416	1,649
Current portion of long-term debt and short-term debt	(24)	486	402	1,240	851
Customers' deposits and advances	(17) & (19)	980	810	681	718
Trade payables and other payables	(17)	4,321	3,571	3,518	3,726
Current income tax liabilities		88	73	93	145
Other current liabilities	(21)	1,730	1,429	1,237	1,204
Current liabilities before liabilities related to disposal groups held for sale		**9,256**	**7,649**	**8,185**	**8,293**
Liabilities related to disposal groups held for sale	(9)	39	32	94	20
Total current liabilities		9,295	7,681	8,279	8,313
TOTAL EQUITY AND LIABILITIES		25,969	21,460	21,896	21,354

(1) Translation of amounts from euros into U.S. dollars has been made merely for the convenience of the reader at Noon Buying Rate of €1 = U.S.$1.2101 on December 31, 2014.

Consolidated statements of cash flows

(In millions)	Notes	2014 (1)	2014	2013 (2)	2012 (2)
Cash flows from operating activities					
Net income (loss) - attributable to the equity owners of the parent		U.S.$ (143)	€ (118)	€(1,304)	€(2,011)
Non-controlling interests		42	35	10	(77)
Adjustments	(27)	838	692	1,479	2,028
Net cash provided (used) by operating activities before changes in working capital, interest and taxes	**(27)**	**737**	**609**	**185**	**(60)**
Net change in current assets and liabilities (excluding financing):					
Inventories and work in progress	(17)	(87)	(72)	(216)	(126)
Trade receivables and other receivables	(17)	22	18	138	534
Advances and progress payments	(17)	5	4	5	10
Trade payables and other payables	(17)	(202)	(167)	25	(186)
Customers' deposits and advances	(17)	106	88	(19)	93
Other current assets and liabilities		(43)	(35)	34	(153)
Cash provided (used) by operating activities before interest and taxes		**538**	**445**	**152**	**112**
Interest received		79	65	66	72
Interest paid		(351)	(290)	(362)	(274)
Taxes (paid)/received		(112)	(93)	(77)	(54)
Net cash provided (used) by operating activities		**154**	**127**	**(221)**	**(144)**
Cash flows from investing activities:					
Proceeds from disposal of tangible and intangible assets		111	92	36	13
Capital expenditures		(673)	(556)	(463)	(524)
Decrease (increase) in loans and other non-current financial assets		23	19	19	21
Cash expenditures for obtaining control of consolidated companies or equity affiliates	(27)	(17)	(14)	-	4
Cash proceeds/(outgoings) from losing control of consolidated companies	(27)	102	84	-	(5)
Cash proceeds from sale of previously consolidated and non-consolidated companies		(9)	(7)	3	26
Cash proceeds from sale (cash expenditure for acquisition) of marketable securities		747	617	(723)	(574)
Net cash provided (used) by investing activities		**284**	**235**	**(1,128)**	**(1,039)**
Cash flows from financing activities:					
Issuance/(repayment) of short-term debt		142	117	(643)	(60)
Issuance of long-term debt		1,383	1,143	4,087	18
Repayment/repurchase of long-term debt		(3,116)	(2,575)	(2,062)	(127)
Cash proceeds (expenditures) related to changes in ownership interests in consolidated companies without loss of control		-	-	-	84
Net effect of exchange rate changes on inter-unit borrowings		(104)	(86)	9	(12)
Capital increase (3)		36	30	965	122
Dividends paid		(15)	(12)	(6)	(37)
Net cash provided (used) by financing activities		**(1,674)**	**(1,383)**	**2,350**	**(12)**
Cash provided (used) by operating activities of discontinued operations	(9)	41	34	65	(71)
Cash provided (used) by investing activities of discontinued operations	(9)	86	71	(64)	1,066
Cash provided (used) by financing activities of discontinued operations	(9)	79	65	(15)	36
Net effect of exchange rate changes		766	633	(292)	23
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(264)**	**(218)**	**695**	**(141)**
Cash and cash equivalents at beginning of period / year		**4,957**	**4,096**	**3,401**	**3,533**
Cash and cash equivalents at beginning of period / year classified as assets held for sale		**-**	**-**	**-**	**9**
Cash and cash equivalents at end of period / year (4)		**4,693**	**3,878**	**4,096**	**3,400**
Cash and cash equivalents at end of period / year classified as assets held for sale		**-**	**-**	**-**	**1**

(1) Translation of amounts from euros into U.S. dollars has been made merely for the convenience of the reader at Noon Buying Rate of €1 = U.S.$1.2101 on December 31, 2014.

(2) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(3) Of which €15 million, €16 million and €0 million related to stock options exercised during 2014, 2013 and 2012 respectively (see Note 22c).

(4) Includes €1,019 million of cash and cash equivalents held in countries subject to exchange control restrictions as of December 31, 2014 (€756 million as of December 31, 2013 and €949 million as of December 31, 2012).

Consolidated statements of changes in equity

(In millions of euros except number of shares)	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 JANUARY 1, 2012 AFTER APPROPRIATION	**2,267,163,384**	**4,651**	**15,354**	**(14,052)**	**4**	**(1,567)**	**(546)**	**-**	**3,844**	**747**	**4,591**
Changes in equity for 2012											
Total comprehensive income (loss) for 2012 [2]				**73**	**30**		**(25)**	**(2,011)**	**(1,933)**	**(88)**	**(2,021)**
Capital increases	1,180,498	2	(2)						-	122	122
Share-based payments				26					26		26
Treasury stock	39,722			1					1		1
Dividends									-	(36)	(36)
Other adjustments									-		-
Appropriation				(2,011)				2,011	-		-
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 [3]	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
BALANCE AT DECEMBER 31, 2014 BEFORE APPROPRIATION	**2,780,311,943**	**141**	**20,869**	**(17,633)**	**52**	**(1,084)**	**(366)**	**(118)**	**1,861**	**833**	**2,694**
Proposed appropriation [4]				(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**

(1) See Note 22.

(2) See consolidated statements of comprehensive income.

(3) 11,878,073 shares were issued mainly due to exercise of options and the vesting of performance shares (see Note 22).

(4) The appropriation is proposed by the Board of Directors and must be approved at the Shareholders' Meeting to be held on May 26, 2015 before being final.

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. During the second quarter 2014, Alcatel-Lucent moved its headquarters from 3, avenue Octave Gréard, 75007, Paris, France to 148/152 Route de la Reine, 92100 Boulogne-Billancourt, France. 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 5, 2015, Alcatel-Lucent's Board of Directors authorized for issuance these consolidated financial statements at December 31, 2014. The consolidated financial statements will be final once approved at the Annual Shareholders' Meeting to be held on May 26, 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, 2014, 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.

Prior to January 1, 2014, the IASB published the following amendment and improvements to IFRSs:

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" (issued November 2013) that is mandatory for annual periods beginning on or after July 1, 2014, and that the EU has endorsed. This amendment has no impact on Alcatel-Lucent's financial statements; and
- Annual improvements to IFRSs (2010-2012) (issued December 2013) and Annual improvements to IFRSs (2011-2013) issued December 2013 that are mandatory generally for annual periods beginning on or after July 1, 2014, and that the EU has endorsed. These improvements have either no impact on Alcatel-Lucent's financial statements or are already being applied.

In Q1 2014, the IASB published the following IFRS that is only applicable with effect from January 1, 2016, that the EU has not yet endorsed, and that, once effective, will have no impact on the Group's financial statements:

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

In Q2 2014, the IASB published the following IFRS that is only applicable with effect from January 1, 2017, 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 revenues and costs; the extent of the impact is not yet known or reasonably estimable at this stage:

- IFRS 15 "Revenue from Contracts with Customers" (issued May 2014).

In Q2 2014, the IASB published two amendments to existing IFRSs that are only applicable with effect from January 1, 2016, that the EU has not yet endorsed, and that, once effective, are not expected to have any material impact on the Group's financial statements:

- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (issued May 2014); and
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (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. As it would appear that method (a) will not be compliant with IAS 38 as of the Amendment's effective date, we are investigating the appropriate amortization method to be adopted as from January 1, 2016. We do not think that changing the amortization method will be material 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; 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 three amendments to existing IFRSs that are only applicable with effect from January 1, 2016, that the EU has not yet 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);
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (issued September 2014); and
- Annual improvements to IFRSs (2012-2014) (issued September 2014).

In Q4 2014, the IASB published two amendments to existing IFRSs that are only applicable with effect from January 1, 2016, that the EU has not yet endorsed, and that, once effective, are 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); and
- Amendments to IAS 1 "Disclosure Initiative" (issued December 2014).

The accounting policies and measurement principles adopted for the consolidated financial statements as of and for the year ended December 31, 2014 are the same as those used in the audited consolidated financial statements as of and for the year ended December 31, 2013 included in our annual report on Form 20-F for fiscal year 2013 (the "2013 audited consolidated financial statements"), with the exception of the adoption in Q1 2014 of IFRIC Interpretation 21 "Levies", the adoption of which was immaterial to the Group's consolidated financial statements. The EU endorsed this interpretation in June 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 individual assets, liabilities and corresponding revenues and expenses arising from the arrangement are accounted for. Investments in joint ventures are accounted for using the equity method.

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. 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 cost 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: 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, and beginning in 2012, 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 three reportable segments (Core Networking, Access and Other). 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 amortization begins once technical feasibility is reached. 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 valued 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 also accounted for 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)".

l/ 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 but requires vendor specific objective evidence (VSOE) of fair value to separate multiple software elements. 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, 2014, 2013 and 2012.

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, 2014, 2013 and 2012.

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) (also accounted for in accumulated deficit). 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, 2014. 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 three 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 2014 net pension and post-retirement benefits costs (determined in accordance with IAS 19 "Employee Benefits" (revised)) by approximately €75 million and €(34) 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.

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, 2014 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, 2014, 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 €308 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, 2014, the excess of assets above 120% of the plan obligations was US$1.8 billion (€1.5 billion), and the excess above 125% of plan obligations was US$1.4 billion (€1.2 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 July 26, 2012, we announced the launch of the "Performance Program" to achieve additional cost reductions to bring total savings to €1.25 billion by the end of 2013. This program included the elimination of approximately 5,500 jobs across the Group, and provided for exiting or restructuring unprofitable Managed Services contracts, along with associated headcount reductions, and exiting or restructuring unprofitable markets.

On June 19, 2013, we announced the launch of The Shift Plan. Through this plan and the remainder of the Performance Program, we aim 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, 2014, we expensed €238 million of restructuring costs for these actions. The remaining restructuring costs related to The Shift Plan will be reserved and 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 Changes in consolidated companies

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 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 a significant 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).

2012

On February 1, 2012, we concluded the sale of our Genesys business to a company owned by the Permira funds (Permira is a European private equity firm) and Technology Crossover Ventures (a venture capital firm), for cash proceeds of U.S.$1.5 billion, pursuant to a binding offer that we had received on October 19, 2011 (see Note 9).

No other material change in consolidated companies occurred during 2012.

Note 4 Change in accounting policy and presentation

a/ Change in accounting policy

No change in accounting policy occurred in 2014 apart from the first adoption, during the first semester of 2014, of the IFRIC Interpretation 21 "Levies" (which is an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"), the adoption of which was immaterial to these consolidated financial statements.

b/ Change in presentation

No change in presentation occurred in 2014.

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. This organization is composed of three reportable segments: Core Networking, Access and Other. 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;
- "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; and
- "Other" comprised the Government product division up to March 31, 2014 and excludes the Enterprise business, which is reported in discontinued operations for all periods presented.

Results of operations for 2014 and for the comparable periods of 2013 and 2012 are presented according to this organization structure.

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

(In millions of euros) 2014	Core Networking	Access	Other	Total reportable segments	Other and unallocated (1)	Total	PPA adjustment (2)	Total consolidated
Revenues from external customers	5,959	7,151	41	13,151	27	13,178	-	13,178
Revenues from transactions with other reportable segments	7	6	-	13	(13)	-	-	-
Revenues from reportable segments	**5,966**	**7,157**	**41**	**13,164**	**14**	**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 our non-core businesses 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.

(In millions of euros) 2013 (1)	Core Networking	Access	Other	Total reportable segments	Other and unallocated (2)	Total	PPA adjustment (3)	Total consolidated
Revenues from external customers	6,130	7,437	210	13,777	36	13,813	-	13,813
Revenues from transactions with other reportable segments	21	10	-	31	(31)	-	-	-
Revenues from reportable segments	**6,151**	**7,447**	**210**	**13,808**	**5**	**13,813**	**-**	**13,813**
Operating income (loss) (4)	**479**	**(85)**	**5**	**399**	**(121)**	**278**	**(86)**	**192**
Amounts included in the operating income (loss):								
• depreciation and amortization	293	208	6	507	9	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 our non-core businesses 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.

(In millions of euros) 2012 (1)	Core Networking	Access	Other	Total reportable segments	Other and unallocated (2)	Total	PPA adjustment (3)	Total consolidated
Revenues from external customers	6,216	7,286	195	13,697	67	13,764		13,764
Revenues from transactions with other reportable segments	17	7	-	24	(24)	-		-
Revenues from reportable segments	**6,233**	**7,293**	**195**	**13,721**	**43**	**13,764**		**13,764**
Operating income (loss) (4)	**153**	**(323)**	**20**	**(150)**	**(100)**	**(250)**	**(230)**	**(480)**
Amounts included in the operating income (loss):								
• depreciation and amortization	302	282	3	587	13	600	230	830
• material non-cash items other than depreciation and amortization	-	-	-	-	-	-	-	-

(1) 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) Includes revenues from our non-core businesses and €35 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

(In millions of euros)	France	Other Western Europe	Rest of Europe	China	Other Asia Pacific	U.S.A.	Other Americas	Rest of world	Conso-lidated
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
2012(2)									
Revenues by customer location	669	2,255	429	1,053	1,363	5,339	1,633	1,023	13,764
Non-current assets (1)	276	232	28	204	51	1,352	54	11	2,208

(1) Represents intangible and tangible assets.
(2) 2013 and 2012 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 2014, Verizon, AT&T and Sprint represented respectively 14%, 11% and 10% of our revenues (respectively 12%, 11% and 10% in 2013 and 11%, 10% and 6% in 2012).

Note 6 Revenues

(In millions of euros)	2014	2013 (1)	2012 (1)
Construction contract revenues	2,314	2,643	2,161
Other product revenues	7,440	6,922	6,819
Other service revenues	3,234	4,087	4,576
License revenues	22	41	58
Rental income and other income	168	120	150
TOTAL REVENUES	**13,178**	**13,813**	**13,764**

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

Note 7 Financial income (loss)

(In millions of euros)	2014	2013 (1)	2012 (1)
Interest expense related to gross financial debt	(359)	(462)	(357)
Interest income related to cash and marketable securities	68	70	78
Finance costs (net)	**(291)**	**(392)**	**(279)**
Reversal of impairment losses/ (impairment losses) on financial assets	15	(3)	(28)
Net exchange gain (loss)	2	(24)	(2)
Financial component of pension and post-retirement benefit costs	(44)	(84)	(127)
Actual and potential capital gain/(loss) on financial assets (shares of equity affiliates or non-consolidated securities and financial receivables) and marketable securities	-	3	9
Other(2)	(184)	(210)	(246)
Other financial income (loss)	**(211)**	**(318)**	**(394)**
TOTAL FINANCIAL INCOME (LOSS)	(502)	(710)	(673)

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) 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 reevaluation 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).

2012: of which €27 million loss related to the repurchase of U.S.$115.5 million nominal value of Alcatel-Lucent USA, Inc.'s 2.875% Series B convertible debentures in the first quarter of 2012 and of which a loss of €178 million (U.S.$229 million) related to the change of estimated future cash flows in respect of Alcatel-Lucent USA, Inc.'s 2.875 % Series B convertible debentures in the second quarter of 2012 (Note 24a).

Note 8 Income tax

a/ Analysis of income tax (expense) benefit

(In millions of euros)	2014	2013 (1)	2012 (1)
Current income tax (expense) benefit	**(61)**	**(56)**	**(70)**
Deferred taxes on temporary differences	(6)	43	(13)
Deferred taxes recognized/(reversed)	383	186	(340)
Deferred income tax benefit (expense), net	**377**	**229**	**(353)**
INCOME TAX BENEFIT (EXPENSE)	316	173	(423)

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

Deferred taxes recognized/(reversed) in 2014 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

	2014			2013			2012		
(In millions of euros)	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	8	-	8	11	-	11	16	-	16
Cumulative translation adjustments	501	-	501	(232)	-	(232)	(34)	-	(34)
Cash flow hedging	(1)	-	(1)	-	-	-	14	-	14
Actuarial gains (losses)	(1,822)	254	(1,568)	1,667	(256)	1,411	172	(101)	71
Other	-	-	-	-	-	-	-	-	-
OTHER COMPREHENSIVE INCOME	(1,314)	254	(1,060)	1,446	(256)	1,190	168	(101)	67

c/ Effective income tax rate

The effective tax rate can be analyzed as follows:

(In millions of euros except for percentage)	2014	2013 (1)	2012 (1)
Income (loss) before income tax and discontinued operations	(350)	(1,442)	(2,304)
Corporate income tax rate (France)	38%	38%	36.10%
Expected tax (charge) benefit	**133**	**548**	**832**
Impact on tax (charge) benefit of:			
• difference in tax rates (2)	35	20	(7)
• reduced taxation of certain revenues	-	8	3
• non deductible impairment of assets	-	(209)	(219)
• permanent differences and utilization of previously unrecognized tax losses	230	136(4)	205(3)
• adjustment to prior years' current tax charge	(14)	11	18
• recognition of previously unrecognized deferred tax assets	395(3)	162(3)	21
• deferred tax assets no longer recognized	(4)	(9)	(546)
• non-recognition of tax losses	(519)(4)	(506)(4)	(759)(4)
• tax credits	41	25	23
• other	19	(13)	6
ACTUAL INCOME TAX (CHARGE) BENEFIT	**316**	**173**	**(423)**
Effective tax rate	**90.0%**	**12%**	**(18.4)%**

(1) 2013 and 2012 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) Mainly related to the reassessment of the recoverability of deferred tax assets in the United States. In 2014, €363 million (primarily net operating losses) were recognized based on the revised 2015-2017 tax planning.

(4) Mainly related to the French tax group.

d/ Deferred tax balances

(In millions of euros) **Balances**	2014	2013	2012
Deferred tax assets:			
• deferred tax assets recognizable	13,758	12,460	12,698
• of which not recognized	(12,242)	(11,460)	(11,713)
Net deferred tax assets recognized	**1,516**	**1,000**	**985**
Deferred tax liabilities	**(872)**	**(990)**	**(889)**
NET DEFERRED TAX ASSETS (LIABILITIES)	**644**	**10**	**96**

Change during the period

(In millions of euros)	December 31, 2013	Impact on net income (loss): Income tax benefit (expense)	Impact on net income (loss): Income loss from discontinued operations	Translation adjustments	Other	December 31, 2014
Deferred tax assets recognized	1,000	371	-	152	(7)	1,516
Deferred tax liabilities	(990)	6	-	(65)	177	(872)
NET DEFERRED TAX ASSETS (LIABILITIES)	**10**	**377**	**-**	**87**	**170**	**644**

Analysis of deferred tax assets and liabilities by temporary differences

(In millions of euros)	December 31, 2013	Impact on net income (loss)	Translation adjustments	Reclassification and Other	December 31, 2014
Fair value adjustments of tax assets and liabilities resulting from business combinations	(238)	(27)	(35)	-	(300)
Provisions	239	-	11	15	265
Pension reserves	1,083	18	24	453(1)	1,578
Prepaid pensions	(1,181)	(24)	40	182	(983)
Property, plant and equipment and intangible assets	676	(160)	55	17	588
Temporary differences arising from other statement of financial position captions	273	37	34	(73)	271
Tax loss carry-forwards and tax credits	10,618	245	624	(20)	11,467
Deferred tax assets (liabilities), gross	**11,470**	**89**	**753**	**575**	**12,886**
Deferred tax assets not recognized	(11,460)	288	(666)	(404)	(12,242)
NET DEFERRED TAX ASSETS (LIABILITIES)	10	377	87	170	644

(1) Mainly U.S.

(In millions of euros) *Deferred tax assets recognized*	December 31, 2014	December 31, 2013	December 31, 2012
Related to the United States	1,280 (1)	777 (1)	770 (1)
Related to other tax jurisdictions	236	223	215
TOTAL	1,516	1,000	985

(1) A reassessment of deferred taxes, as of December 31, 2014, resulted in increasing the deferred tax assets recorded in the United States compared to the situation as of December 31, 2013. The impact related to foreign exchange rate variation was €140 million.

Deferred taxes not recognized relating to temporary differences on investments in subsidiaries, equity affiliates and joint ventures were zero at December 31, 2014, December 31, 2013 and December 31, 2012.

e/ Tax losses carried forward and temporary differences

Tax losses carried forward

Total tax losses carried forward represent a potential tax saving of €11,467 million at December 31, 2014 (€10,618 million at December 31, 2013 and €10,200 million at December 31, 2012). The increase of tax losses carried forward between 2014 and 2013 is due to new tax losses (not recognized) of which €547 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 €254 million. Exchange rate impacts on tax losses between 2014 and 2013 concerning the United States represented an increase of tax losses carried forward of €567 million. The potential tax savings relate to tax losses carried forward that expire as follows:

(In millions of euros) **Years**	Recognized	Unrecognized	Total
2015	63	5	68
2016	33	13	46
2017	122	24	146
2018	136	17	153
2019	5	9	14
2020 and thereafter	745	3,565	4,310
Indefinite	43	6,687	6,730
TOTAL	1,147	10,320	11,467

Temporary differences

(In millions of euros)	Recognized	Unrecognized	Total
At December 31, 2012	46	1,563	1,609
At December 31, 2013	(63)	915	852
At December 31, 2014	**(503)**	**1,922**	**1,419**

Recognized net taxable temporary differences of €503 million in 2014 mainly related to deferred tax liabilities in respect of pre-paid pensions, purchase price allocation adjustments 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 2014, 2013 and 2012 were as follows:

- 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;
- 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; and
- in 2012: settlements of litigations related to businesses disposed of in prior periods and the Genesys business until disposal.

(In millions of euros) Income statement of discontinued operations	2014	2013 (1)	2012 (1)
Revenues	437	623	711
Cost of sales	(222)	(302)	(366)
Gross profit	**216**	**321**	**345**
Administrative and selling expenses	(169)	(203)	(241)
Research and development costs	(33)	(106)	(119)
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	**14**	**12**	**(15)**
Restructuring costs	(1)	(20)	(10)
Gain/(loss) on disposal of consolidated entities	-	-	-
Post-retirement benefit plan amendments	-	2	-
Income (loss) from operations	**12**	**(6)**	**(25)**
Financial income (loss)	(3)	(1)	(3)
Income tax (expense) benefit	(1)	(2)	(22)
Income (loss) from discontinued operations before capital gains (losses)	**8**	**(9)**	**(50)**
Net capital gain (loss) on disposal of discontinued operations	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	689
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(49)	(25)	639

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations.

During the third quarter 2012, we received a tax audit report relating to the contribution of our railway signalling business to Thales in 2006. As indicated in Note 25b, depending upon the outcome, our income (loss) from discontinued operations could be materially, negatively impacted.

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, 2014, 2013 and 2012.

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.

(In millions of euros) **Statement of financial position**	**December 31, 2014**	**December 31, 2013**	**December 31, 2012**
Goodwill	-	-	-
Intangible and tangible assets	2	21	-
Operating working capital [(1)]	13	38	-
Cash	-	-	1
Pension reserves	-	(7)	-
Other assets and liabilities	(20)	(13)	(3)
Assets and liabilities of disposal groups held for sale	**(5)**	**39**	**(2)**
Assets of disposal groups held for sale (A)	*20*	*133*	*18*
Liabilities related to disposal groups held for sale (B)	*(25)*	*(94)*	*(20)*
Real estate properties and other assets held for sale (C)	**45**	**9**	**2**
Other liabilities held for sale (D)	**(7)**	**-**	**-**
TOTAL ASSETS HELD FOR SALE AND ASSETS INCLUDED IN DISPOSAL GROUPS HELD FOR SALE (A) + (C)	65	142	20
TOTAL LIABILITIES RELATED TO DISPOSAL GROUPS HELD FOR SALE (B) + (D)	(32)	(94)	(20)

(1) As defined in Note 17.

The cash flows of discontinued operations were as follows:

(In millions of euros)	**Year ended December 31, 2014**	**Year ended December 31, 2013 [(1)]**	**Year ended December 31, 2012 [(1)]**
Net income (loss) from discontinued operations	**(49)**	**(25)**	**639**
Net cash provided (used) by operating activities before changes in working capital	11	60	(41)
Other net increase (decrease) in net cash provided (used) by operating activities	23	5	(30)
Net cash provided (used) by operating activities (A)	34	65	(71)
Capital expenditures (B)	(14)	-	(129)
Free cash flow: (A) + (B) [(2)]	**10**	**9**	**(107)**
Net cash provided (used) by investing activities excluding capital expenditures (C)	119	1	1,124
Net cash provided (used) by financing activities (D)	65	(15)	36
TOTAL (A) + (B) + (C) + (D)	170	(14)	1,031

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations.

(2) Of which €(82) million related to the Genesys business in 2012.

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	2014	2013	2012 (1)
Number of ordinary shares issued (share capital)	2,820,432,270	2,808,554,197	2,458,611,327
Treasury shares	(40,120,327)	(51,894,411)	(61,482,325)
Number of shares in circulation	**2,780,311,943**	**2,756,659,786**	**2,397,129,002**
Weighting effect of share issues (of which stock options exercised)	(3,867,299)	(317,578,166)	(304,610)
Weighting effect of treasury shares	(9,418,294)	(7,912,902)	(5,985)
Weighted average number of shares outstanding - basic number of shares used for calculating basic earnings per share	**2,767,026,349**	**2,431,168,718**	**2,396,818,408**
Dilutive effects:			
• Equity plans (stock options, RSU)	-	-	-
• 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	**2,767,026,349**	**2,431,168,718**	**2,396,818,408**

(1) As a result of the 2013 capital increase made by Alcatel-Lucent through an offering of preferential subscription rights to existing shareholders, the calculation of basic and diluted earnings per share for 2012 has been adjusted retrospectively. Number of outstanding ordinary shares has been adjusted to reflect the proportionate change in the number of shares.

As our net result was a loss, 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.

(In millions of euros) **Net income** (loss)	2014	2013 (1)	2012 (1)
Net income (loss) attributable to the equity owners of the parent - basic	(118)	(1,304)	(2,011)
Adjustment for dilutive securities on net income: Interest expense related to convertible securities	-	-	-
Net income (loss) - diluted	**(118)**	**(1,304)**	**(2,011)**

(1) 2013 and 2012 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:

	2014	2013	2012
Equity plans (stock options, RSU)	48,335,993	25,156,350	31,983,113
Alcatel-Lucent's convertible bonds (OCEANE) issued on June 12, 2003 and on September 10, 2009	-	-	327,169,179
Alcatel-Lucent's convertible bonds (OCEANE) issued on July 3, 2013	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	39,688,905
2.875% Series A convertible securities	-	-	68,844,512
2.875% Series B convertible securities	-	-	554,556,556

Note 11 Goodwill and impairment losses

a/ Goodwill

(In millions of euros)	Net
GOODWILL AT DECEMBER 31, 2011	4,389
Additions	-
Disposals and discontinued operations	-
Changes during goodwill allocation period	-
Impairment losses for the period	(522)
Net effect of exchange rate changes	(47)
Other changes	-
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

Main changes accounted for

- 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;
- 2013: Impairment losses amounting to €568 million were accounted for during 2013; and
- 2012: Impairment losses amounting to €522 million were accounted for during 2012.

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:

	2014	2013	2012
Source	Business plan Shift plan	Business plan Shift plan	Business plan Performance plan
Basis of recoverable amount	Fair value (1)	Fair value (1)	Fair value (1) or value in use
Discount rates (WACC)	9.8%	11%	11%
Perpetual growth rates (2)	0% to 2.0%	0% to 2.5%	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.

2014 Annual impairment test

The annual impairment test assumptions that were used were derived from our 5-year Business Plan which is based on The Shift Plan launched mid-2013 as detailed in Note 2i. Significant development of our Wavelength-Division Multiplexing (WDM) revenues for Optical Products was also used as a key assumption for IP Transport.

As a result of the 2014 annual impairment test, no impairment loss on goodwill was accounted for in 2014.

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:

(In millions of euros)	Net carrying amount of goodwill as of December 31, 2014	Difference between recoverable value (A) and carrying value of the net assets (B) (A) – (B)	Perpetual Growth rate
IP Routing	829	4,328	2.0%
Fixed Networks	703	1,706	1.5%
Submarine	608	188	2.0%
IP Platform	533	1,524	1.5%
IP Transport	303	136	2.0%
Other CGUs	205		0% to 1.0%
TOTAL NET	3,181		

Sensitivity analysis

Holding all other assumptions constant, a 0.5% increase or decrease in the discount rate would have decreased or increased the 2014 recoverable value of all CGUs or groups of CGUs that include goodwill and intangible assets by €598 million and €673 million, respectively. An increase of 0.5% in the discount rate would have led to no impairment loss.

Holding all other assumptions constant, an increase in the discount rate of 3.3% and 2.9% would have led to the recoverable values of Submarine and IP Transport respectively, being equal to their carrying amounts.

Holding all other assumptions constant, a 0.5% decrease in the perpetual growth rate would have decreased the recoverable values of Submarine and IP Transport by €21 and €5 million, respectively.

Holding all other assumptions constant, if the estimated growth of our sales of WDM products were to be delayed by six months, it would have decreased the December 31, 2014 recoverable value of IP Transport by €210 million, leading to a goodwill impairment loss of €74 million.

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.

2012 Annual impairment test

This annual impairment test occurred during the time of a continuing deterioration in the economic environment, competitive pricing being experienced in certain regions challenging the Group's profitability, and the deterioration in our adjusted operating income as compared to our budget. We also revised our assumptions about the pace of the Wavelength-Division Multiplexing (WDM) ramp-up and the migration of new technologies in the Optics Division. These evolutions were reflected in our revision of the five-year forecasted cash flows and terminal values used to determine the recoverable values of certain CGUs.

These recoverable values incorporated certain future benefits that we expected from the Performance Program we launched in July 2012, in which we assumed cost savings of €1,250 million by the end of 2013 (see Note 2i).

As a result of the 2012 annual impairment tests, an impairment loss on goodwill of €522 million was accounted for in 2012, to reduce the carrying values of certain CGUs to recoverable value. Of the €522 million, €503 million was recorded in the former Networks operating segment (of which, in the various product divisions, €431 million was recorded in the Optics product division, €64 million in Wireline Networks, and €8 million in Wireless Networks) and €19 million in the former Software, Services & Solutions operating segment (of which €11 million in the Advanced Communications Solutions product division and €8 million in the Network Build & Implementation product division).

Due to the new organization of our reporting structure beginning January 1, 2013, we also performed a specific impairment test as of January 1, 2013 on the goodwill relating to the CGUs that changed. The remaining goodwill as of December 31, 2012 was reallocated to the new CGUs using a relative value approach.

No impairment loss was accounted for in connection with this specific impairment test.

b/ Impairment losses

2014 *(In millions of euros)*	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	**-**	**-**	**-**	**-**	**-**
of which reversal of impairment losses	-	-	-	-	-

2013 *(In millions of euros)*	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)**
of which reversal of impairment losses	*-*	*22*	*-*	*-*	*22*

2012 *(In millions of euros)*	Core Networking	Access	Other	Not allocated	Total
Impairment losses on goodwill	(442)	(80)	-	-	(522)
Impairment losses on capitalized development costs (1)	-	(122)	-	-	(122)
Impairment losses on other intangible assets (2)	-	(191)	-	-	(191)
Impairment losses on property, plant and equipment	-	(59)	-	-	(59)
TOTAL - NET	**(442)**	**(452)**	**-**	**-**	**(894)**
of which reversal of impairment losses	*-*	*2*	*-*	*-*	*2*

(1) As part of our annual goodwill impairment test in the fourth quarter of 2012, we identified indications that capitalized development costs related to our offering for GSM and CDMA technologies (both in our Wireless networks product division) may be impaired. The main triggering event was the faster than anticipated replacement of these technologies by the new LTE technology. Impairment tests of these assets were therefore conducted. As of December 31, 2012, the capitalized development costs for these two technologies were fully impaired or amortized.

(2) Due to the change in the CDMA market conditions, we also performed an impairment test on the other intangible assets. As a result of this impairment test, an impairment loss on other intangible assets of €191 million was accounted for in 2012. These impairment losses were all recorded in the Wireless Networks Product Division, including mainly €136 million of customer relationships and €50 million of CDMA acquired technology, both initially accounted for in the context of the merger with Lucent in 2006. These two assets were fully amortized or impaired as of December 31, 2012.

Note 12 Intangible assets

a/ Intangible assets

(In millions of euros)	Capitalized development costs	Other intangible assets	Total
At December 31, 2012			
At cost or valuation	2,613	5,630	8,243
Amortization and impairment	(2,192)	(4,876)	(7,068)
NET BOOK VALUE	**421**	**754**	**1,175**
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**

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

(In millions of euros)	Capitalized development costs	Other intangible assets	Total
AT DECEMBER 31, 2011	560	1,214	1,774
Capitalization	270	33	303
Additions	-	13	13
Amortization	(282)	(303)	(585)
Impairment losses	(122)	(191)	(313)
Assets held for sale, discontinued operations and disposals	-	(2)	(2)
Net effect of exchange rate changes	(5)	(11)	(16)
Other changes	-	1	1
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

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, 2012					
At cost or valuation	124	1,000	2,935	761	4,820
Amortization and impairment	(17)	(573)	(2,479)	(618)	(3,687)
NET BOOK VALUE	107	427	456	143	1,133
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

b/ Changes in property, plant and equipment, net

(In millions of euros)	Land	Buildings & vessels	Plant, equipment and tools	Other	Total
AT DECEMBER 31, 2011	114	495	495	128	1,232
Additions	-	5	97	197	299
Depreciation charge	(1)	(68)	(220)	(36)	(325)
Impairment losses (1)	(4)	(16)	(41)	2	(59)
Reversals of impairment losses (1)	-	-	-	-	-
Assets held for sale, discontinued operations and disposals	-	(3)	(1)	-	(4)
Changes in consolidated group	-	4	(1)	-	3
Net effect of exchange rate changes	(2)	(6)	(4)	(3)	(15)
Other changes	-	16	131	(145)	2
AT DECEMBER 31, 2012	107	427	456	143	1,133
Additions	-	13	90	220	323
Depreciation 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
Depreciation 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

(1) Refer to Note 11b.

c/ Finance leases

Property, plant and equipment held under finance leases have a net carrying amount of €45 million at December 31, 2014 (€51 million at December 31, 2013 and €53 million at December 31, 2012). 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

	Value		
(In millions of euros)	2014	2013	2012
Equity affiliates of Alcatel-Lucent Shanghai Bell	9	9	9
Alda Marine	16	13	11
AMIRIB	12	7	3
Tetron	8	5	5
Other (less than €5 million each)	6	1	1
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	51	35	29

b/ Change in investments in associates and joint ventures

(In millions of euros)	2014	2013	2012
Carrying amount at January 1	35	29	21
Change in equity affiliates accounted for under the equity method	-	-	2
Share of net income (loss)	15	7	5
Net effect of exchange rate changes	1	-	1
Other changes	-	(1)	-
CARRYING AMOUNT AT DECEMBER 31	51	35	29

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%:

(In millions of euros)	2014	2013	2012
Total assets	305	234	238
Liabilities (excluding equity)	186	148	168
Equity	119	86	70
Revenues	118	107	119
Net income (loss) attributable to equity owners of the parent	24	19	16

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.

(In millions of euros)	Non - controlling interests	Of which Alcatel-Lucent Shanghai Bell Group Net contribution	Eliminations	Before intragroup eliminations
BALANCE AT DECEMBER 31, 2011	747	659	-	-
Capital increase	122	122	-	-
Non-controlling interests in 2012 income	(77)	(92)	(3)	(89)
Other changes (1)	(47)	(23)	-	-
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	-	-

(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) Amounts before intragroup eliminations	2014	2013	2012(5)
Income statement			
Revenues	3,089	2,130	2,197
Income (loss) from operations	35	(8)	(188)
Net Income (loss)	26	3	(196)
Attributable to:			
● Equity owners of the parent	13	(3)	(107)
● Non-controlling interests	13	6	(89)
Statement of financial position			
Non-current assets	517	430	407
Non-current liabilities	(127)	(115)	(115)
Operating working capital (1)	76	(10)	33
Cash and cash equivalents (2) (4)	1,217	1,139	1,210
Financial debt	(142)	(44)	(106)
Statement of cash flows			
Net cash provided (used) by operating activities	(30)	101	90
Free cash flow (3)	(139)	19	22
Net cash provided (used) by investing activities	28	(28)	(133)
Net cash provided (used) by financing activities	83	(76)	107
Of which dividends paid to non-controlling interests	-	-	(18)

(1) As defined in Note 17.
(2) As defined in Note 24.
(3) As defined in Note 27b.
(4) Includes €988 million cash and cash equivalents held in countries subject to exchange control restrictions as of December 31, 2014 (€652 million as of December 31, 2013 and €819 million as of December 31, 2012).
(5) Including RFS Group as from April 1, 2012.

Note 15 Financial assets

(In millions of euros)	December 31, 2014			December 31, 2013			December 31, 2012		
	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	226	167	393	172	158	330	181	146	327
Financial assets at fair value through profit or loss	100	1,505	1,605	91	2,101	2,192	98	1,382	1,480
Financial assets at amortized cost(3)	80	-	80	59	-	59	62	-	62
TOTAL	406	1,672	2,078	322	2,259	2,581	341	1,528	1,869

(1) Of which €22 million matures within one year as of December 31, 2014 (€22 million as of December 31, 2013 and €47 million as of December 31, 2012).

(2) All of which is current as of December 31, 2014, 2013 and 2012.

(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 as of December 31, 2014 of €48 million that was booked directly in equity (€40 million as of December 31, 2013 and €29 million as of December 31, 2012).

a/ Financial assets available for sale

(In millions of euros)	December 31, 2014			December 31, 2013			December 31, 2012		
	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	172	158	330	181	146	327	216	133	349
Additions/(disposals)	43	-	43	(3)	-	(3)	(24)	(3)	(27)
Fair value changes	(1)	9	8	(1)	12	11	-	16	16
Impairment losses (1)	(1)	-	(1)	(1)	-	(1)	(6)	-	(6)
Change in consolidated group	-	-	-	-	-	-	-	-	-
Other changes	13	-	13	(4)	-	(4)	(5)	-	(5)
NET CARRYING AMOUNT AT DECEMBER 31	226	167	393	172	158	330	181	146	327
Of which:									
• at fair value (2)	*9*	*167*	*176*	*7*	*158*	*165*	*8*	*146*	*154*
• at cost	*217*	-	*217*	*165*	-	*165*	*173*	-	*173*

(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) Fair value changes:	2014	2013	2012
Fair value changes recognized directly in other comprehensive income	8	11	16
Changes resulting from gains (losses) previously recognized in other comprehensive income now recognized in net income (loss) due to disposals	-	-	-
TOTAL	8	11	16

b/ Financial assets at fair value through profit or loss

(In millions of euros)	2014	2013	2012
Net carrying amount at January 1	**2,192**	**1,480**	**907**
Additions/(disposals)	(626)	715	569
Fair value changes	6	6	9
Other changes (CTA revaluation)	33	(9)	(5)
NET CARRYING AMOUNT AT DECEMBER 31	**1,605**	**2,192**	**1,480**

c/ Financial assets at amortized cost

(In millions of euros)	2014	2013	2012
Net carrying amount at January 1	**59**	**62**	**224**
Additions/(disposals)	23	(16)	(13)
Impairment losses[1]	16	(2)	(22)
Change in consolidated group	-	-	-
Other changes (reclassifications)	(18)	15	(127)
NET CARRYING AMOUNT AT DECEMBER 31	**80**	**59**	**62**

(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, 2014	December 31, 2013	December 31, 2012
Cash	2,399	2,473	2,362
Cash equivalents	1,479	1,623	1,039
Of which money market mutual funds	*1,096*	*1,476*	*906*
Of which Other (certificates of deposit, treasury bills, etc)	*383*	*147*	*133*
Cash and Cash Equivalents - excluding discontinued operations	**3,878**	**4,096**	**3,401**
Cash in discontinued operations	-	-	-
CASH AND CASH EQUIVALENTS - INCLUDING DISCONTINUED OPERATIONS	**3,878**	**4,096**	**3,401**

As of December 31, 2014, €1,019 million of cash and cash equivalents were held in countries subject to exchange control restrictions (mainly China) (€756 million as of December 31, 2013 and €949 million as of December 31, 2012).

Note 17 Operating working capital

Operatilng 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.

(In millions of euros)	December 31, 2014	December 31, 2013	December 31, 2012
Inventories and work in progress, net	1,971	1,935	1,940
Trade receivables and other receivables, net(1)	2,528	2,482	2,860
Advances and progress payments, net	43	46	53
Customers' deposits and advances	(810)	(681)	(718)
Trade payables and other payables	(3,571)	(3,518)	(3,726)
OPERATING WORKING CAPITAL, NET	161	264	409

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

(In millions of euros)	December 31, 2013	Cash flow	Cash flow of discontinued activities (1)	Change in consolidated group (1)	Translation adjustments and other	December 31, 2014
Inventories and work in progress	2,330	72	(1)	(47)	13	2,367
Trade receivables and other receivables(2)	2,639	(18)	(49)	(82)	231	2,721
Advances and progress payments	46	(4)	1	(1)	1	43
Customers' deposits and advances	(681)	(88)	4	17	(62)	(810)
Trade payables and other payables	(3,518)	167	9	156	(385)	(3,571)
Operating working capital, gross	816	129	(36)	43	(203)	749
Cumulated valuation allowances	(552)	—	—	14	(50)	(588)
OPERATING WORKING CAPITAL, NET	264	129	(36)	57	(253)	161

(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

(In millions of euros) **Analysis of amounts due from/to customers on construction contracts**	December 31, 2014	December 31, 2013	December 31, 2012
Amounts due from customers on construction contracts	613	757	723
Amounts due to customers on construction contracts	(96)	(82)	(103)
TOTAL	517	675	620
Work in progress on construction contracts, gross	499	487	493
Work in progress on construction contracts, depreciation	(7)	(2)	(23)
Accrued receivables on construction contracts	117	270	262
Product sales reserves—construction contracts	(92)	(80)	(112)
TOTAL	517	675	620

Note 18 Inventories and work in progress

a/ Analysis of net value

(In millions of euros)	2014	2013	2012
Raw materials and goods	231	265	283
Work in progress excluding construction contracts	842	817	845
Work in progress on construction contracts, gross	499	487	493
Finished products	794	761	767
Gross value	**2,366**	**2,330**	**2,388**
Valuation allowance	(395)	(395)	(448)
TOTAL, NET	1,971	1,935	1,940

b/ Change in valuation allowance

(In millions of euros)	2014	2013	2012
At January 1	(395)	(448)	(455)
(Additions)/ reversals	(139)	(106)	(171)
Utilization	54	45	40
Changes in consolidated group	9	9	—
Net effect of exchange rate changes and other changes	76	105	138
AT DECEMBER 31	(395)	(395)	(448)

Note 19 Trade receivables and related accounts

Trade receivables and other receivables, net

(In millions of euros)	2014	2013	2012
Receivables bearing interest	1	5	41
Other trade receivables	2,720	2,634	2,939
Gross value	**2,721**	**2,639**	**2,980**
Accumulated impairment losses	(193)	(157)	(120)
TOTAL, NET	2,528	2,482	2,860
Of which due after one year on the net value	*108*	*39*	*55*

Customers' deposits and advances

(In millions of euros)	2014	2013	2012
Advance payments received on construction contracts	57	68	77
Other deposits and advances received from customers	753	613	641
TOTAL CUSTOMERS' DEPOSITS AND ADVANCES	810	681	718
Of which:			
• *portion due within one year*	*767*	*640*	*674*
• *portion due after one year*	*43*	*41*	*44*

Note 20 Financial assets transferred

a/ Receivables sold without recourse

Balances

(In millions of euros)	December 31, 2014	December 31, 2013	December 31, 2012
Outstanding amounts of receivables sold without recourse (1)	1,678	1,343	1,111

(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

(In millions of euros)	2014	2013	2012
Impact on cash flows from operating activities	335	232	159

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 €233 million as of December 31, 2014 (€248 million as of December 31, 2013 and €166 million as of December 31, 2012) included in our financial debt (other financial debt).

Note 21 Other assets and liabilities

(In millions of euros) **Other assets**	December 31, 2014	December 31, 2013	December 31, 2012
Other current assets	877	751	726
Other non-current assets	429	413	428
TOTAL	**1,306**	**1,164**	**1,154**
Of which:			
• *Currency derivatives*	149	18	29
• *Interest-rate derivatives - hedging*	2	11	33
• *Interest-rate derivatives - other*	-	-	-
• *Commodities derivatives*	-	-	-
• *Other tax receivables*	730	747	698
• *Other current and non-current assets*	425	388	394

(In millions of euros) **Other liabilities**	**December 31, 2014**	**December 31, 2013**	**December 31, 2012**
Other current liabilities	(1,429)	(1,237)	(1,204)
Other non-current liabilities	(175)	(188)	(177)
TOTAL	**(1,604)**	**(1,425)**	**(1,381)**
Of which:			
• *Currency derivatives*	*(51)*	*(54)*	*(40)*
• *Interest-rate derivatives - hedging*	-	*(21)*	-
• *Interest-rate derivatives - other*	*(9)*	-	*(1)*
• *Commodities derivatives*	-	-	-
• *Other tax payables*	*(352)*	*(287)*	*(291)*
• *Accrued wages and social charges*	*(850)*	*(794)*	*(768)*
• *Other current and non-current liabilities*	*(343)*	*(269)*	*(281)*

Note 22 Equity

a/ Capital stock and additional paid-in capital

At December 31, 2014, the capital stock consisted of 2,820,432,270 ordinary shares of nominal value €0.05 (2,808,554,197 ordinary shares of nominal value €0.05 at December 31, 2013 and 2,326,563,826 ordinary shares of nominal value €2 at December 31, 2012).

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.

During 2012, increases in capital stock and additional paid-in capital amounted to €0 million. These increases were related to the following transactions:

- issuance of 1,180,498 shares for €0 million, as a result of the exercise of performance shares (including additional paid-in capital of €(2) 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)	2014	2013	2012
Compensation expense for share-based payments	23	27	35
Of which equity settled	*16*	*19*	*26*
Of which cash settled (1)	*7*	*8*	*9*

(1) 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 €12 million at December 31, 2014 (€6 million at December 31, 2013 and €8 million at December 31, 2012).

Stock options

Details of stock options at December 31, 2014 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)
3/1/07	3/1/08 to 2/28/15	€9.463	210,665	96,488	96,488
3/28/07	3/28/08 to 3/27/15	€8.611	41,293,536	19,687,806	19,687,806
8/16/07	8/16/08 to 8/15/15	€8.517	347,323	126,342	126,342
11/15/07	11/15/08 to 11/14/15	€5.962	301,216	35,620	35,620
3/25/08	3/25/09 to 3/24/16	€3.596	49,601,042	25,706,953	25,706,953
7/1/08	7/1/09 to 6/30/16	€4.164	229,515	96,550	96,550
12/31/08	12/31/09 to 12/30/16	€1.893	2,099,746	105,054	105,054
3/18/09	3/18/10 to 3/17/17	€1.893	54,344,640	29,923,624	29,923,624
7/1/09	7/1/10 to 6/30/17	€1.893	458,597	178,147	178,147
10/1/09	10/1/10 to 9/30/17	€2.744	287,390	82,963	82,963
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	10,847,736	10,847,736
7/1/10	7/1/11 to 6/30/18	€2.082	739,569	140,130	140,130
10/1/10	10/1/11 to 9/30/18	€2.176	892,366	486,055	486,055
12/9/10	12/9/11 to 12/8/18	€2.082	130,655	67,109	67,109
3/1/11	3/1/12 to 2/28/19	€3.028	635,597	108,330	92,356
3/16/11	3/16/12 to 3/15/19	€3.501	11,738,649	7,776,479	6,256,542
6/1/11	6/1/12 to 5/31/19	€3.974	427,713	180,239	143,168
9/1/11	9/1/12 to 8/31/19	€2.366	178,297	121,014	90,485
12/1/11	12/1/12 to 11/30/19	€1.893	152,467	105,110	80,262
3/14/12	3/14/13 to 3/13/20	€1.893	11,286,981	7,793,308	3,989,012
8/13/12	8/13/13 to 8/12/20	€1.893	399,202	130,528	63,937
12/17/12	12/17/13 to 12/16/20	€1.893	99,628	76,233	39,328
7/12/13	7/12/14 to 7/11/21	€1.419	23,655,950	20,565,135	3,961,390

(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.

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**

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 2008	03/25/2008	3.80	45%	3.90%	0.8% per year	1.50
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

- 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,
– 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:

(In number of performance shares) **Grant date**	03/18/09	03/17/10	03/16/11	03/14/12	07/12/13	09/15/14
OUTSTANDING AT DECEMBER 31, 2011	**5,303,163**	**6,873,978**	**9,784,210**	**-**	**-**	**-**
Granted	-	-	-	10,674,215	-	-
Acquired	(2,017)	(1,177,356)	(6,637)	(1,500)	-	-
Forfeited	(78,279)	(248,610)	(532,232)	(382,852)	-	-
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**

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; and
- September 15, 2014 plan: fair value of €1.82.

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, 2014 (no shares were purchased in 2013 or 2012).

The carrying value of Alcatel-Lucent shares owned by Group consolidated subsidiaries was €1,084 million at December 31, 2014 (€1,428 million at December 31, 2013 and €1,567 million at December 31, 2012). They are deducted at cost from equity.

d/ Dividends

Our Board of Directors will propose at the Annual Shareholders' Meeting to be held on May 26, 2015 not to distribute a dividend for the year ended December 31, 2014. No dividends were distributed for the years 2013 and 2012.

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 €58 million for 2014 (€103 million for 2013 and €123 million for 2012).

Defined benefit plans

The pension and other post employment benefits for the countries described below represent 99% of our benefit obligation at December 31, 2014.

84% 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, 2014 would increase from €(31,570) million to €(32,717) million. Also, a 50 basis point increase or decrease in the discount rate would decrease or increase the benefit obligation at December 31, 2014 by €1,554 million and €1,709 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 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 2014, 2013 and 2012 are as follows (the rates indicated are weighted average rates):

	2014	2013	2012
Discount rate	3.31%	4.07%	3.25%
Future salary increases	2.56%	3.36%	3.33%
Post-retirement cost trend rate	**6.60% to 4.90%**	**5.90% to 4.90%**	**6.90% to 5.10%**

The above rates are broken down by geographical segment as follows for 2014, 2013 and 2012:

	2014		2013		2012	
	Discount rate	Future salary increases	Discount rate	Future salary increases	Discount rate	Future salary increases
France	1.75%	1.99%	3.25%	2.00%	2.75%	2.95%
Belgium	1.75%	3.00%	3.25%	3.25%	2.75%	3.25%
United Kingdom	3.42%	4.27%	4.50%	4.56%	4.25%	4.27%
Germany	1.75%	3.00%	3.25%	3.00%	2.75%	3.00%
Rest of Europe	1.48%	0.35%	2.94%	2.45%	2.53%	2.54%
United States of America	3.49%	2.12%	4.53%	2.67%	3.29%	3.77%
Other	4.35%	3.92%	5.63%	4.22%	4.08%	3.25%

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

(In millions of euros)	2014	2013	2012
Service cost and prior service cost	(100)	(68)	(73)
Interest cost on the benefit obligation	(1,026)	(927)	(1,127)
Interest income on plan assets net of administrative expense	1,037	886	1,044
Interest cost on unrecognized surplus	(55)	(43)	(44)
Effect of curtailments and settlements	(44)	(19)	24
Plan amendments	112	133	204
NET PERIODIC BENEFIT (COST)	(76)	(38)	28
Of which:			
• *Recognized in Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments*	*(99)*	*(68)*	*(73)*
• *Recognized in restructuring costs*	*(44)*	*(19)*	*24*
• *Post-retirement benefit plan amendments*	*112*	*133*	*204*
• *Recognized in other financial income (loss)*	*(44)*	*(84)*	*(127)*
• *Recognized in income (loss) from discontinued operations*	*(1)*	*-*	*-*

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

(In millions of euros)	2014	2013	2012
Change in benefit obligation			
Benefit obligation at January 1	**(25,398)**	**(30,104)**	**(30,843)**
Service cost	(100)	(68)	(73)
Interest cost on the benefit obligation	(1,026)	(927)	(1,127)
Plan participants' contributions	(138)	(150)	(126)
Amendments	112	133	69
Business combinations		(8)	(22)
Disposals	46	7	1
Curtailments	(14)	6	24
Settlements	43	28	646
Special termination benefits	(29)	(24)	-
Actuarial gains and (losses) due to changes in financial assumptions	(2,276)	2,092	(1,821)
Actuarial gains and (losses) due to changes in demographic assumptions	(1,905)	(29)	8
Actuarial gains and (losses) - Other	(10)	221	113
Benefits paid from plan assets	2,304	2,329	2,530
Benefits paid from the employer	73	86	56
Medicare Part D Subsidy		(19)	(22)
Foreign currency translation and other	(3,252)	1,029	483
Benefit obligation at December 31	(31,570)	(25,398)	(30,104)
Benefit obligation excluding effect of future salary increases	(31,331)	(25,148)	(29,782)
Effect of future salary increases	(239)	(250)	(322)
BENEFIT OBLIGATION	(31,570)	(25,398)	(30,104)
Pertaining to retirement plans	(28,583)	(22,766)	(26,958)
Pertaining to other post-employment plans	(2,987)	(2,632)	(3,146)

(In millions of euros)	2014	2013	2012
Change in plan assets			
Fair value of plan assets at January 1	**25,944**	**28,796**	**29,013**
Interest income on plan assets net of administrative expense	1,037	886	1,044
Actuarial gains and (losses)	2,113	(596)	1,958
Employers' contributions	118	120	156
Plan participants' contributions	138	150	126
Amendments	-	-	-
Business combinations	-	-	22
Disposals	(6)	-	-
Curtailments	-	-	-
Settlements	(42)	(27)	(511)
Benefits paid/Special termination benefits	(2,304)	(2,329)	(2,530)
Foreign currency translation and other	3,222	(1,056)	(482)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	30,220	25,944	28,796

(In millions of euros)	2014	2013	2012
Change in unrecognized surplus (due to application of asset ceiling and IFRIC14)			
Unrecognized surplus at January 1	**(1,250)**	**(1,233)**	**(1,121)**
Interest cost on unrecognized surplus	(55)	(43)	(44)
Change in the unrecognized surplus	256	(21)	(86)
Foreign currency translation	(128)	47	18
UNRECOGNIZED SURPLUS AT DECEMBER 31	(1,177)	(1,250)	(1,233)

(In millions of euros)	2014	2013	2012
Present value of defined benefit obligations that are wholly or partly funded	(29,971)	(23,979)	(28,468)
Fair value of plan assets	30,220	25,944	28,796
Funded (unfunded) status of defined benefit obligations that are wholly or partly funded	**249**	**1,965**	**328**
Present value of defined benefit obligations that are wholly unfunded	(1,599)	(1,419)	(1,636)
(Unfunded) / funded status	**(1,350)**	**546**	**(1,308)**
Unrecognized surplus (due to application of asset ceiling and IFRIC14)	(1,177)	(1,250)	(1,233)
NET AMOUNT RECOGNIZED	(2,527)	(704)	(2,541)
Of which:			
• *prepaid pension costs*	*2,636*	*3,150*	*2,797*
• *pensions, retirement indemnities and other post-retirement benefit obligations*	*(5,163)*	*(3,854)*	*(5,338)*

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

	December 31, 2014			December 31, 2013			December 31, 2012		
(In millions of euros)	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	**1,392**	**(2,096)**	**(704)**	**95**	**(2,636)**	**(2,541)**	**40**	**(2,991)**	**(2,951)**
Operational charge	(97)	(2)	(99)	(66)	(2)	(68)	(70)	(3)	(73)
Financial income	39	(83)	(44)	(3)	(81)	(84)	(16)	(111)	(127)
Curtailment (1)	(41)	(3)	(44)	(18)	(1)	(19)	24	-	24
Pension and healthcare plan amendments (2)	7	105	112	78	55	133	144	60	204
Discontinued operations (Genesys business)	(1)		(1)	-	-	-	-	-	-
Total recognized in profits (losses)	**(93)**	**17**	**(76)**	**(9)**	**(29)**	**(38)**	**82**	**(54)**	**28**
Actuarial gains and (losses) for the period	(1,870)	(208)	(2,078)	1,417	271	1,688	305	(47)	258
Asset ceiling limitation and IFRIC14 effect	256	-	256	(21)	-	(21)	(86)	-	(86)
Total recognized in statement of comprehensive income (3)	**(1,614)**	**(208)**	**(1,822)**	**1,396**	**271**	**1,667**	**219**	**(47)**	**172**
Contributions and benefits paid	182	10	192	177	12	189	177	13	190
420 transfer	(169)	169	-	(196)	196	-	(393)	393	-
Change in consolidated companies	40	-	40	7	-	7	-	-	-
Other (reclassifications and exchange rate changes)	130	(287)	(157)	(78)	90	12	(30)	50	20
NET ASSET (LIABILITY) RECOGNIZED AT THE END OF THE PERIOD	**(132)**	**(2,395)**	**(2,527)**	**1,392**	**(2,096)**	**(704)**	**95**	**(2,636)**	**(2,541)**
Of which:									
• *Prepaid pension costs*	*2,636*	-	*2,636*	*3,150*	-	*3,150*	*2,797*	-	*2,797*
• *Pension, retirement indemnities and post-retirement benefits liability*	*(2,768)*	*(2,395)*	*(5,163)*	*(1,758)*	*(2,096)*	*(3,854)*	*(2,702)*	*(2,636)*	*(5,338)*

(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:

(In millions of euros)	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
2012	(30,104)	28,796	(1,308)	113	0.38%	1,958	6.80%
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%

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

(In millions of euros)	Increase of 1%	Decrease of 1%
Impact on the current service cost and interest costs	(3)	2
Impact on the benefit obligation	(96)	87

The plan assets of retirement plans are invested as follows:

(In millions of euros)

Asset allocation at December 31, 2014	Level 1	Level 2	Level 3	Total
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

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.

(In millions of euros)

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

(In millions of euros)

Asset allocation at December 31, 2012	Level 1	Level 2	Level 3	Total
Equities (US market)	959	111	-	1,070
Equities (Other markets)	1,606	336	-	1,942
Government and Treasury bonds	5,460	2,923	-	8,383
Corporate bonds	537	10,018	43	10,598
Real estate (properties)	13	-	1,194	1,207
Real estate (investments)	429	35	-	464
Cash and cash equivalents	256	923	-	1,179
Alternative (Private equity)	-	-	1,648	1,648
Alternative (Absolute return and other)	(9)	285	747	1,023
Insurance company products	142	853	287	1,282
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31, 2012	**9,393**	**15,484**	**3,919**	**28,796**

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 2015 are €138 million for the pension and other post-retirement benefit plans.

Expected benefit payments to be made to beneficiaries from defined benefit plans through 2024 are as follows:

(In millions of euros) Total	Expected benefit payments
2015	2,330
2016	2,197
2017	2,149
2018	2,110
2019	2,067
2020 - 2024	9,729

d/ Funded status

(In millions of euros)	December 31, 2014	December 31, 2013	December 31, 2012
Benefit obligation	(31,570)	(25,398)	(30,104)
Fair value of plan assets	30,220	25,944	28,796
Funded (underfunded) status	**(1,350)**	**546**	**(1,308)**
Unrecognized prior service cost and surplus (due to application of asset ceiling and IFRIC14)	(1,177)	(1,250)	(1,233)
NET LIABILITY RECOGNIZED AT END OF PERIOD	**(2,527)**	**(704)**	**(2,541)**

Detail of funded status by country

(In millions of euros)	2014	2013	2012
USA [1]	(990)	823	(566)
Belgium	866	842	822
United Kingdom	225	137	76
Germany	(1,124)	(979)	(1,118)
Other	(327)	(277)	(522)
TOTAL (UNDERFUNDED) FUNDED STATUS	**(1,350)**	**546**	**(1,308)**

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

e/ Pension and healthcare plan amendments

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.

2012 U.S. represented healthcare plan amendment

In April 2012, Alcatel-Lucent USA, Inc. and the Communication Workers of America and the International Brotherhood of Electrical Workers agreed to a seven-month extension of retiree healthcare benefits from May 25, 2013 until December 31, 2013, although the Group's obligation to pay for retirees, who are subject to annual dollar caps, was reduced by U.S.$40 million for 2013. On December 28, 2012, Alcatel-Lucent USA, Inc. and those unions agreed to an additional one-year extension of retiree healthcare benefits until December 31, 2014, although the Group's obligation to pay for retirees, who are subject to annual dollar caps, was reduced by U.S.$40 million for 2014. Reductions of U.S.$77 million in our existing obligation were accounted for in the "Post-retirement benefit plan amendments" line item of the 2012 consolidated income statement.

2012 U.S. pension lump sum offer for deferred vested participants

During the third and fourth quarters of 2012, Alcatel-Lucent USA, Inc. offered the deferred vested participants in the defined benefit pension plan for U.S. management employees and in the U.S. inactive occupational pension plan the right to elect a lump sum payment rather than a pension payment during a specific window period (the window period only applies to deferred vested participants that cannot apply permanently for the lump sum payment). Because the IAS 19 discount rate was lower than the pension/lump sum conversion rate, that difference resulted in a one-time credit that was recorded when the lump sum payment was made. This credit was U.S.$174 million during 2012. This impact was accounted for in the "Post-retirement benefit plan amendments" line item of the 2012 audited 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 2014	December 2013	December 2012
Benefit obligations - 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%	3.61%
Rate of compensation increase	2.12%	2.44%	3.86%
Net benefit cost or credit - discount rate			
Pension	4.19%	3.30%	3.67%
Post-retirement health care and other	3.72%	2.84%	3.24%
Post-retirement group life	4.49%	3.60%	3.91%

	December 31, 2014	December 31, 2013	December 31, 2012
Assumed health care cost trend rates			
Health care cost trend rate assumed for next year	6.50%	5.80%	6.90%
Health care cost trend rate assumed for next year (excluding post-retirement dental benefits)	6.60%	5.90%	7.00%
Rate that the cost trend rate gradually declines to	4.90%	4.90%	5.10%
Year that the rate reaches the rate it is assumed to remain at	2024	2024	2022

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	(117)	106

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 10.43 years and 7.96 years, respectively, as of December 31, 2014 (9.30 years and 7.09 years, respectively, as of December 31, 2013 and 10.07 years and 7.53 years, respectively, as of December 31, 2012).

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.

Components of net periodic cost of post-employment benefit

(In millions of U.S. dollars)	Pension benefits			Post-retirement benefits		
Pension credit/post-retirement benefit (cost)	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Service cost	(77)	(9)	(9)	(2)	(3)	(3)
Interest cost on the benefit obligation	(1,058)	(949)	(1,104)	(137)	(125)	(154)
Interest income on plan assets	1,188	1,018	1,172	26	18	11
Interest cost on unrecognized surplus	(53)	(41)	(51)	-	-	-
Subtotal	**-**	**19**	**8**	**(113)**	**(110)**	**(146)**
Special termination benefits	(36)		-	(3)		-
Curtailments	(53)	(22)	-	(2)	3	-
Settlements	-	(27)	-	0	(5)	-
Pension credit/post-retirement benefit (cost)	**(89)**	**(30)**	**8**	**(118)**	**(112)**	**(146)**
Plan amendments		-	174	140	73	77
PENSION CREDIT/POST-RETIREMENT BENEFIT (COST)	**(89)**	**(30)**	**182**	**22**	**(39)**	**(69)**

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, 2014, December 31, 2013 and December 31, 2012.

(In millions of U.S. dollars)	Pension benefits			Post-retirement benefits		
Change in benefit obligation	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Benefit obligation at January 1	(26,166)	(29,973)	(30,232)	(3,630)	(4,150)	(4,541)
Service cost	(77)	(9)	(9)	(2)	(3)	(3)
Interest cost on the benefit obligation	(1,058)	(949)	(1,104)	(137)	(125)	(154)
Plan participants' contributions	-	-	-	(182)	(192)	(153)
Amendments	-	-	-	140	73	77
Business combinations	-	-	-	-	(9)	-
Disposals	-	-	-	-	-	-
Curtailments	(53)	(22)	-	(2)	3	-
Settlements	-	-	804	-	-	-
Special termination benefits	(36)	(27)	-	(3)	(5)	-
Actuarial gains and (losses) due to changes in financial assumptions	(1,910)	2,237	(1,771)	(245)	311	(237)
Actuarial gains and (losses) due to changes in demographic assumptions	(2,505)	(37)	-	(38)	-	-
Actuarial gains and (losses) – Other	(154)	169	(22)	1	(9)	147
Benefits paid from plan assets	2,415	2,412	2,361	494	502	743
Benefits paid from the employer	32	33	-	-	-	-
Medicare Part D subsidy	-	-	-	(23)	(26)	(29)
Foreign currency translations and other	-	-	-	-	-	-
BENEFIT OBLIGATION AT DECEMBER 31	**(29,512)**	**(26,166)**	**(29,973)**	**(3,627)**	**(3,630)**	**(4,150)**

(In millions of U.S. dollars)	Pension benefits			Post-retirement benefits		
Change in plan assets	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Fair value of plan assets at January 1	30,192	32,705	32,698	739	672	671
Interest income on plan assets net of administrative expense	1,188	1,018	1,172	26	18	11
Actuarial gains and (losses)	2,476	(861)	2,298	5	58	30
Employers' contributions	2	2	33	36	41	45
Plan participants' contributions	-	-	-	182	192	153
Amendments	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Settlements	-	-	(630)	-	-	-
Benefits paid/Special termination benefits	(2,415)	(2,412)	(2,361)	(494)	(502)	(743)
420 transfer	(225)	(260)	(505)	225	260	505
Other (external transfer and exchange rate changes)	-	-	-	-	-	-
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**31,218**	**30,192**	**32,705**	**719**	**739**	**672**

(In millions of U.S. dollars)	Pension benefits			Post-retirement benefits		
Change in unrecognized surplus (due to application of asset ceiling and IFRIC14)	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Unrecognized surplus at January 1	(1,260)	(1,250)	(1,327)	-	-	-
Interest cost on unrecognized surplus	(53)	(41)	(51)	-	-	-
Change in the unrecognized surplus	269	31	128	-	-	-
Foreign currency translation	-	-	-	-	-	-
UNRECOGNIZED SURPLUS AT DECEMBER 31	**(1,044)**	**(1,260)**	**(1,250)**	**-**	**-**	**-**

(In millions of U.S. dollars)	Pension benefits			Post-retirement benefits		
Change in unrecognized surplus (due to application of asset ceiling and IFRIC14)	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
(Unfunded) / funded status	1,706	4,026	2,732	(2,908)	(2,891)	(3,478)
Unrecognized surplus (due to application of asset ceiling and IFRIC14)	(1,044)	(1,260)	(1,250)	-	-	-
Net amount recognized	662	2,766	1,482	(2,908)	(2,891)	(3,478)
Of which:						
Prepaid pension costs	2,146	3,176	2,603	-	-	-
PENSIONS, RETIREMENT INDEMNITIES AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS	**(1,484)**	**(410)**	**(1,121)**	**(2,908)**	**(2,891)**	**(3,478)**

Additional Information

(in millions of U.S. dollars) **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)**

(in millions of U.S. dollars) **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.

(in millions of U.S. dollars) **December 31, 2012**	Obligations	Assets	Funded Status
Pension Benefits			
U.S. management	(19,629)	19,006	(623)
U.S. occupational	(9,867)	13,699	3,832
Supplemental	(477)	-	(477)
TOTAL PENSION BENEFITS	**(29,973)**	**32,705**	**2,732**
Post-retirement Benefits			
Non-represented health	(317)	-	(317)
Formerly represented health	(2,043)	294	(1,749)
Non-represented group life	(1,114)	306	(808)
Formerly represented group life	(673)	72	(601)
Other	(3)	-	(3)
TOTAL POST-RETIREMENT BENEFITS	**(4,150)**	**672**	**(3,478)**

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, 2012				
Asset category				
Equity securities	7% - 13%	11%	44%	44%
Fixed income securities	63% - 86%	74%	15%	14%
Real estate	4% - 8%	6%	-	-
Private equity and other	6% - 13%	9%	-	-
Cash	-	-	41%	42%
TOTAL		**100%**		**100%**
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%**

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.$8.1 million of Alcatel-Lucent bonds as of December 31, 2014 (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 and U.S.$0.2 million of Alcatel-Lucent ordinary shares and U.S.$6.4 million of Alcatel-Lucent bonds as of December 31, 2012).

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". For the U.S. management and active occupational pension plans, MAP-21, modified and extended by HATFA, increases the interest rates used for funding valuations. According to our assessment of those plans, MAP-21, modified and extended by HATFA, 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 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 December 1, 2014, 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.$225 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, 2014 through about November 30, 2015 and group life insurance benefits for the period beginning December 1, 2014 through about December 30, 2015. Alcatel-Lucent expects to make a "collectively bargained transfer" during 2015 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 2015 through the first nine months of 2016.

Contributions

The following table summarizes expected contributions (net of Medicare Part D subsidies) to its various pension and post-retirement plans through calendar 2024. Alcatel-Lucent did not have to make contributions to its qualified U.S. pension plans during the 2014 calendar year. Although certain data, such as the December 31, 2014 private equity and real estate values and the January 1, 2015 census data, will not be final until the second quarter of 2015, Alcatel-Lucent does not expect to make any contribution through early 2017. Alcatel-Lucent is unable to reliably estimate the expected contributions to its qualified U.S. pension plans (Management & Occupational pension plans) beyond the 2017 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 2015 to 2021 (Section 420 of the Code was extended in 2012 until December 31, 2021).

	Pension	Post-retirement		
(In millions of U.S. dollars)	Non-qualified pension plans	Formerly union-represented retiree health plans (1)	Non-represented retiree health plans	Other benefit plans (2)
2015	31	(24)	21	3
2016	30	(24)	20	3
2017	30	(24)	22	3
2018	30	(23)	22	3
2019	30	(22)	22	3
2020 - 2024	142	269	105	153

(1) Estimates take into account that Section 420 transfers are made to finance healthcare costs until December 31, 2021 (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, 2021 (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 2014. 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 45% of the total U.S. retiree healthcare obligation as of December 31, 2014); 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 2024. 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.

	Pension		Post-retirement			
(In millions of U.S. dollars)	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
2015	1,589	723	31	170	21	83
2016	1,489	668	30	162	20	83
2017	1,465	644	30	148	22	84
2018	1,440	620	30	137	22	84
2019	1,412	596	30	129	22	85
2020 - 2024	6,601	2,613	142	687	105	437

Note 24 Financial debt

(In millions of euros)	2014	2013	2012
Marketable securities - short term, net	1,672	2,259	1,528
Cash and cash equivalents	3,878	4,096	3,401
Cash, cash equivalents and marketable securities	**5,550**	**6,355**	**4,929**
Convertible bonds and other bonds - long-term portion	(4,696)	(4,711)	(3,727)
Other long-term debt	(179)	(211)	(227)
Current portion of long-term debt and short-term debt	(402)	(1,240)	(851)
of which (Bonds and credit facilities - short-term portion	-	*(964)*	*570*
of which (current portion of other long-term debt and short-term debt	*(402)*	*(276)*	*281*
Financial debt, gross	**(5,277)**	**(6,162)**	**(4,805)**
Derivative interest rate instruments - other current and non-current assets	1	11	33
Derivative interest rate instruments - other current and non-current liabilities	-	(21)	-
Loan to joint venturer - financial asset (loan to co-venturer)	-	7	23
Cash (financial debt), net before fx derivatives	**274**	**190**	**180**
Derivative FX instruments on financial debt - other current and non-current assets (1)	123	5	2
Derivative FX instruments on financial debt - other current and non-current liabilities (1)	(4)	(46)	(35)
Net amount paid/(received) in respect of credit support arrangements (CSA) for derivative instruments - other current assets/liabilities	(67)	-	-
Cash (financial debt), net – excluding discontinued operations	**326**	**149**	**147**
Cash (financial debt), net - assets held for sale	-	-	-
CASH (FINANCIAL DEBT), NET - INCLUDING DISCONTINUED OPERATIONS	**326**	**149**	**147**

(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, 2014	Equity component and fair value adjustments	Nominal value at maturity date	
					December 31, 2014	December 31, 2013
7.75% Convertible Trust Preferred Securities	U.S.$931 M	March 2017 (1)	-	-	-	675
6.375% Senior Notes	€274 M	April 2014	-	-	-	274
4.50% Senior Secured Facility	U.S.$1,724 M	January 2019 (2)	-	-	-	1,256
8.50% Senior Notes (3)	€192 M (4)	January 2016	190	2	192	425
4.625% Senior Notes (5)	U.S.$650 M	July 2017	531	4	535	471
4.25% OCEANE	€629 M	July 2018	538	91	629	629
0.00% OCEANE	€688 M	January 2019	588	100	688	-
0.125% OCEANE	€460 M	January 2020	373	88	460	-
8.875% Senior Notes (5)	U.S.$500 M	January 2020	403	9	412	363
6.75% Senior Notes (5)	U.S.$1,000 M	November 2020	814	10	824	725
6.50 % Senior Notes	U.S.$300 M	January 2028	228	19	247	218
6.45 % Senior Notes	U.S.$1,360 M	March 2029	1,031	89	1,120	986
TOTAL BONDS AND CREDIT FACILITIES			**4,696**	**412**	**5,108**	**6,022**

(1) This debt was repaid prior to maturity in January 2014, see below.
(2) This facility was repaid prior to maturity in August 2014, see below.
(3) Guaranteed by Alcatel-Lucent USA Inc. and certain subsidiaries of Alcatel-Lucent.
(4) This Senior Note was subject to a tender offer in July 2014, see below.
(5) Guaranteed by Alcatel-Lucent and certain of its subsidiaries.

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.

As a result, the outstanding aggregate nominal amount of Senior Notes 2016 is €192 million.

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, that 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.

Changes in 2012

Extension or redemption

The bonds initially issued in July and October 2010 (i.e. bonds due in February 2012 and May 2012 for a nominal amount of €50 million each) were redeemed.

Repurchases (redemption before maturity date)

In 2012, U.S.$ 115.5 million in nominal value of the Alcatel-Lucent USA, Inc. 2.875% Series B convertible debentures were bought back for U.S.$ 110 million in cash, excluding accrued interest, and then cancelled.

Nominal value repurchased: Alcatel-Lucent USA, Inc. convertible bond 2.875% Series B: U.S.$ 115,500,000

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.

A loss of €27 million related to these repurchases was recorded in "other financial income (loss)" in 2012 (see Note 7).

b/ Analysis of financial debt, gross – by type

(In millions of euros)	2014	2013	2012
Convertible bonds	1,498	1,191	2,179
Other bonds	3,198	4,485	2,118
Receivables transferred that are not derecognized in their entirety (1)	233	248	166
Bank loans, overdrafts and other financial debt	239	119	219
Finance lease obligations	18	24	23
Accrued interest	91	95	100
FINANCIAL DEBT, GROSS	5,277	6,162	4,805

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

c/ Analysis by maturity date and type of rate

(In millions of euros)	2014	2013	2012
Current portion of long-term debt (1)	-	1,054	570
Short-term debt (2)	402	186	281
Financial debt due within one year (4)	**402**	**1,240**	**851**
Of which:			
• within 3 months	274	791	225
• between 3 and 6 months	104	406	603
• between 6 and 9 months	12	22	11
• over 9 months	11	21	12
2014	-	-	604
2015	-	114	1,049
2016	280	515	495
2017	604	494	656
2018	539	401	-
2019 and thereafter	3,452	3,398	1,150
Financial debt due after one year (3)(4)	**4,875**	**4,922**	**3,954**
TOTAL	5,277	6,162	4,805

(1) Amount as of December 31, 2013 included €274 million for the 6.375% trust preferred securities due April 2014 and €675 million for the 7.75% convertible notes debentures due to the existence of an irrevocable commitment to repay in full the 7.75% convertible debentures in January 2014.

Amount as of December 31, 2012 was related to the 2.875% Series B convertible debentures, due to the existence of a put option exercisable as of June 15, 2013.

(2) Amount as of December 31, 2014 included €91 million of accrued interest (€95 million as of December 31, 2013 and €100 million as of December 31, 2012).

(3) 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.

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

d/ Debt analysis by rate

(In millions of euros)	Amounts	Effective interest rate	Interest rate after hedging
2012			
Convertible bonds	**2,179**	**9.23%**	**9.23%**
Other bonds	2,118	7.78%	**6.98%**
Bank loans, overdrafts and finance lease obligations	408	1.97%	1.97%
Accrued interest	100	NA	NA
FINANCIAL DEBT, GROSS	4,805	7.94%	7.58%
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%

e/ Debt analysis by type of rate

	2014		2013		2012	
(In millions of euros)	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Total fixed rate debt	5,269	5,269	6,154	5,880	4,789	4,329
Total floating rate debt	8	8	8	282	16	476
TOTAL	5,277	5,277	6,162	6,162	4,805	4,805

f/ Debt analysis by currency

	2014		2013		2012	
(In millions of euros)	Before hedging	After hedging	Before hedging	After hedging	Before hedging	After hedging
Euro	1,976	2,388	1,544	1,544	2,205	2,205
U.S. Dollar	3,150	2,738	4,608	4,608	2,587	2,587
Other	151	151	10	10	13	13
TOTAL	5,277	5,277	6,162	6,162	4,805	4,805

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, 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
- at December 31, 2012, the fair value of debt before hedging (including credit spread) was €4,673 million and the fair value of the debt after hedging (including credit spread) was €4,640 million.

h/ Credit rating

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

At February 5, 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.	B3	B3/Caa1 (1)	Not Prime	Positive	December 4, 2012/ December 19, 2013	November 17, 2014
Alcatel-Lucent USA Inc.	n.a.	B3 (2)	n.a	Positive	December 12, 2013	November 17, 2014
Standard & Poor's:						
Alcatel-Lucent S.A.	B	B	B	Stable	August 18, 2014	August 18, 2014
Alcatel-Lucent USA Inc.	B	B	n.a	Stable	August 18, 2014	August 18, 2014

(1) The OCEANE 2018 as well as the OCEANE 2019 & 2020 are rated Caa1; all other long-term debt issued by Alcatel-Lucent is rated B3.

(2) The 8.875% Senior Notes, the 6.75% Senior Notes and the 4.625% Senior Notes are each rated B3. 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 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.

On December 19, 2012, Moody's assigned a provisional B1 rating to the Senior Secured Credit Facilities.

On December 4, 2012, Moody's lowered the Alcatel-Lucent Corporate Family rating from B2 to B3. Concurrently, Alcatel-Lucent's senior long-term debt ratings were downgraded from B3 to Caa1 and the ratings for the Alcatel-Lucent USA Inc. 2.875% Series A and Series B convertible bonds that were guaranteed by Alcatel-Lucent on a subordinated basis, were lowered from Caa1 to Caa2. The Negative outlook was affirmed.

On August 3, 2012, Moody's revised its outlook for the Alcatel-Lucent Corporate Family rating and debt, as well as Alcatel-Lucent USA Inc. debt and the trust preferred securities issued by Lucent Technologies Capital Trust I, from Stable to Negative. The ratings were affirmed.

On May 8, 2012, Moody's lowered the Alcatel-Lucent Corporate Family rating from B1 to B2 and changed the previously Negative outlook on the ratings to Stable. Concurrently, Alcatel-Lucent's senior long-term debt ratings were downgraded from B2 to B3 and the ratings for the Alcatel-Lucent USA Inc. 2.875% Series A and Series B convertible debentures, that were guaranteed by Alcatel-Lucent on a subordinated basis, were lowered from B3 to Caa1.

On January 20, 2012, Moody's affirmed the B1 rating for the Alcatel-Lucent Corporate Family rating but downgraded from B2 to B3 the Alcatel-Lucent USA, Inc. 2.875 % Series A and Series B convertible debentures that were guaranteed on a subordinated basis by Alcatel-Lucent. Concurrently, Moody's withdrew the ratings for the unguaranteed 6.50% Notes due 2028 and 6.45% Notes due 2029 issued by Alcatel-Lucent USA Inc. and for the trust preferred securities issued by Lucent Technologies Capital Trust I that are not guaranteed by Alcatel-Lucent. The Negative outlooks were affirmed.

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 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+ /B- to B. At the same date, and as a consequence of the rating upgrade, the outlook was changed from Positive to Stable.

On June 2, 2014, Standard & Poor's assigned the rating B- to the OCEANE 2019 and 2020 to be issued.

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.

On December 21, 2012, Standard & Poor's placed all corporate and issue credit ratings for Alcatel-Lucent and Alcatel-Lucent USA Inc. on Credit Watch with Negative implications. At the same time, Standard & Poor's lowered their issue ratings on Alcatel-Lucent and Alcatel-Lucent USA Inc. existing unsecured long-term debt from B to CCC+. The B ratings on Alcatel-Lucent short-term debt were affirmed.

On August 13, 2012, Standard & Poor's revised its outlook for Alcatel-Lucent and Alcatel-Lucent USA, Inc. from Stable to Negative. The ratings were 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, 2014

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, 2014, 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

(In millions of euros)	2014	2013	2012
Provisions for product sales	387	402	510
Provisions for restructuring	439	433	456
Provisions for litigation	122	122	150
Other provisions	416	459	533
TOTAL [(1)]	**1,364**	**1,416**	**1,649**
(1) Of which: portion expected to be used within one year	*959*	*966*	*1,003*
portion expected to be used after one year	*405*	*450*	*646*

b/ Change during 2014

(In millions of euros)	December 31, 2013	Appropriation	Utilization	Reversals	Change in consolidated companies	Other	December 31, 2014
Provisions for product sales	402	288	(274)	(46)	(6)	23	387
Provisions for restructuring	433	395	(364)	(20)	(16)	11	439
Provisions for litigation	122	58	(40)	(18)	(2)	2	122
Other provisions	459	184	(167)	(62)	(7)	9	416
TOTAL	**1,416**	**925**	**(845)**	**(146)**	**(31)**	**45**	**1,364**
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		(516)		87			(429)
– Restructuring costs		(393)		20			(373)
– Litigations		-		7			7
– Gain (loss) on disposal of consolidated entities		-		-			-
– Post-retirement benefit plan amendments		-		-			-
– Other financial income (loss)		(3)		14			11
– Income taxes		(7)		14			7
– Income (loss) from discontinued operations		(6)		4			(2)
TOTAL		**(925)**		**146**			**(779)**

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, 2014.

In particular, we received a tax audit report during the third quarter of 2012 confirming the German tax authority' 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 (€179 million including interest and penalties as of December 31, 2013). 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 2012, 2013 and 2014 cash flow statements were not impacted.

c/ Analysis of restructuring provisions

(In millions of euros)	December 31, 2014	December 31, 2013 (1)	December 31, 2012 (1)
Opening balance	**433**	**456**	**294**
Utilization during period (restructuring cash outlays)	(364)	(522)	(340)
Restructuring costs (social costs and other monetary costs)	373	473	436
Reversal of discounting impact (financial loss)	1	1	6
Effect of acquisition (disposal) of consolidated subsidiaries	(16)	-	-
Cumulative translation adjustments and other changes	12	25	60
CLOSING BALANCE	**439**	**433**	**456**

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

d/ Restructuring costs

(In millions of euros)	2014	2013 (1)	2012 (1)
Social costs – Restructuring reserves	(245)	(302)	(378)
Other monetary costs – Restructuring reserves	(128)	(171)	(58)
Other monetary costs – Payables	(156)	(25)	(57)
Other monetary costs – Pension reserve	(32)	(19)	24
Valuation allowances or write-offs of assets and other	(13)	(1)	(10)
TOTAL RESTRUCTURING COSTS	(574)	(518)	(479)

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

e/ Analysis of litigation provisions

(In millions of euros)	December 31, 2013	Appropriation	Utilization	Reversals	Change in consolidated companies	Other	December 31, 2014
FCPA litigation	13	-	(12)	-	-	(1)	-
Fox River litigation	11	-	(1)	(4)	1	1	7
Madrid building litigation	12	-	(9)	(3)	-	-	-
Sub-total – material litigations (1)	36	-	(22)	(7)	1	-	7
Other provisions	86	58	(18)	(11)	(3)	2	115
TOTAL	122	58	(40)	(18)	(2)	2	122

(1) The FCPA litigation is disclosed in Note 35b of our 2011 audited consolidated financial statements. The Fox River litigation is disclosed in Note 33 of our 2012 audited consolidated financial statements (under the heading "Lucent's separation agreements"). The Madrid building litigation is disclosed in Note 34e of our 2010 audited consolidated financial statements.

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, 2014 are intended to reduce the cost of debt and to hedge interest rate risk. At December 31, 2014, 2013, and 2012, outstanding interest-rate derivatives have the following characteristics:

i. Outstanding interest-rate derivatives at December 31

Analysis by type and maturity date

(In millions of euros)	2014					2013		2012	
	Contract notional amounts Maturity date								
	Less than one year	1 to 5 years	After 5 years	Total	Market value	Total	Market value	Total	Market value
Interest-rate swaps									
Pay fixed rate	-	412	4	416	-	9	-	14	(1)
Pay floating rate	-	416	-	416	(6)	272	11	460	33
Floors									
Buy	-	-	-	-	-	-	-	-	-
Sell	-	-	-	-	-	1,256	(21)	-	-
Options on interest-rate swaps U.S.$ Libor									
Buy	-	-	-	-	-	-	-	-	-
Sell	-	-	-	-	-	-	-	-	-
TOTAL MARKET VALUE					(6)		(10)		32

Analysis by accounting category

(In millions of euros)	Market value		
	2014	2013	2012
Fair value hedges	2	11	33
Cash flow hedges	-	-	-
Instruments not qualifying for hedge accounting	(8)	(21)	(1)
TOTAL	(6)	(10)	32

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	
Market Value of derivatives as assets				
Fair value hedges	-	2	-	2
Cash flow hedges	-	-	-	-
Instruments not qualifying for hedge accounting	-	-	-	-
TOTAL	-	2	-	2

(In millions of euros)	Maturity date			Total
	Less than 1 year	1 to 5 years	After 5 years	
Market Value of derivatives as liabilities				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Instruments not qualifying for hedge accounting	-	(8)	-	(8)
TOTAL	-	(8)	-	(8)

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 2014 (no impact for 2013 and €5 million for 2012).

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 €52 million for 2014 (€59 million for 2013 and €43 million for 2012).

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 €4 million for 2014 (decrease by €2 million in 2013 and €3 million in 2012).

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 €2 million in 2014 (€4 million in 2013 and €3 million in 2012).

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 €13 million in 2014 (a negative impact of €1 million in 2013 and €7 million in 2012).

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 €13 million in 2014 (a negative impact of €1 million in 2013 and €7 million in 2012).

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 €18 million in 2014 (a positive impact of €17 million in 2013 and €0 million in 2012).

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 €273 million on its market value for 2014 (€263 million in 2013 and €127 million in 2012). 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.

(In millions of euros)	2014				2013				2012			
	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	1,672	1,672	(2)	2	2,259	2,259	6	(6)	1,528	1,528	6	(6)
Cash & cash equivalents (2)	3,878	3,878	-	-	4,096	4,096	-	-	3,401	3,401	-	-
Subtotal	**5,550**	**5,550**	**(2)**	**2**	**6,355**	**6,355**	**6**	**(6)**	**4,929**	**4,929**	**6**	**(6)**
Liabilities												
Convertible bonds	(1,498)	(2,346)	(55)	53	(1,191)	(1,988)	(21)	20	(2,179)	(2,217)	(40)	39
Non convertible bonds	(3,198)	(3,372)	(229)	205	(4,485)	(4,745)	(269)	244	(2,118)	(1,943)	(105)	95
Other financial debt	(581)	(581)	-	-	(486)	(486)	-	-	(508)	(508)	-	-
Subtotal	**(5,277)**	**(6,299)**	**(284)**	**258**	**(6,162)**	**(7,219)**	**(290)**	**264**	**(4,805)**	**(4,668)**	**(145)**	**134**
Derivative interest rate instruments – other current and non-current assets	1	1	37	13	11	11	-	(1)	33	33	1	(7)
Derivative interest rate instruments – other current and non-current liabilities	-	-	-	-	(21)	(21)	(3)	17	-	-	-	-
Loan to co-venturer-financial asset	-	-	-	-	7	7	-	-	23	23	-	-
(Debt)/cash position before FX derivatives	**274**	**(748)**	**(249)**	**273**	**190**	**(867)**	**(287)**	**274**	**180**	**317**	**(138)**	**121**
Derivative FX instruments on financial debt— other current and non-current assets	123	123	-	-	5	5	-	-	2	2	-	-
Derivative FX instruments on financial debt— other current and non-current liabilities	(71)	(71)	-	-	(46)	(46)	-	-	(35)	(35)	-	-
(DEBT)/CASH POSITION	**326**	**(696)**	**(249)**	**273**	**149**	**(908)**	**(287)**	**274**	**147**	**284**	**(138)**	**121**

(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.

b/ Currency risk

i. Outstanding currency derivatives at December 31

Analysis by type and currency

(In millions of euros)	2014					2013		2012	
	U.S. dollar	British pound	Other	Total	Market value	Total	Market value	Total	Market value
Buy/Lend foreign currency									
Forward exchange contracts	337	139	487	963	10	222	(5)	529	(1)
Short-term exchange swaps	2,123	440	303	2,866	63	4,614	(42)	2,231	(35)
Cross currency swaps	412	-	-	412	56	-	-	-	-
Currency option contracts:									
• Buy call	-	-	-	-	-	-	-	-	-
• Sell put	-	-	-	-	-	-	-	-	-
TOTAL	2,872	579	790	4,241	129	4,836	(47)	2,760	(36)
Sell/Borrow foreign currency									
Forward exchange contracts	336	28	2	366	(15)	350	2	681	10
Short-term exchange swaps	731	68	145	944	(16)	1,214	9	898	15
Cross currency swaps	-	-	-	-	-	-	-	-	-
Currency option contracts:									
• Sell call	-	-	-	-	-	-	-	-	-
• Buy put	10	-	29	39	-	-	-	-	-
TOTAL	1,077	96	176	1,349	(31)	1,564	11	1,579	25
TOTAL MARKET VALUE					98		(36)		(11)

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	963	-	-	963
Short-term exchange swaps	2,866	-	-	2,866
Cross currency swaps	-	412	-	412
Currency option contracts:				
• Buy call	-	-	-	-
• Sell put	-	-	-	-
TOTAL	3,829	412	-	4,241

(In millions of euros)	Maturity date			
	Less than 1 year	1 to 5 years	After 5 years	Total
Sell/Borrow				
Forward exchange contracts	366	-	-	366
Short-term exchange swaps	944	-	-	944
Cross currency swaps	-	-	-	-
Currency option contracts:				
• Buy call	-	-	-	-
• Sell put	39	-	-	39
TOTAL	1,349	-	-	1,349

Analysis by market value and maturity date

(In millions of euros)	Maturity date: Less than 1 year	1 to 5 years	After 5 years	Total
TOTAL MARKET VALUE OF DERIVATIVES AS ASSETS	93	56	-	149

(In millions of euros)	Maturity date: Less than 1 year	1 to 5 years	After 5 years	Total
TOTAL MARKET VALUE OF DERIVATIVES AS LIABILITIES	(51)	-	-	(51)

Analysis by accounting category

	Market value		
(In millions of euros)	2014	2013	2012
Fair value hedges	112	(39)	(27)
Cash flow hedges	1	(1)	7
Instruments not qualifying for hedge accounting	(15)	4	9
TOTAL	98	(36)	(11)

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 €101 million in 2014 (against a positive impact of €201 million in 2013 and a positive impact of €59 million in 2012). 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 €138 million in 2014 (against a positive impact of €245 million in 2013 and a positive impact of €94 million in 2012). 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 positive impact of €1 million on equity in 2014 (against a negative impact of €1 million on equity in 2013 and a negative impact of €23 million on equity in 2012).

(In millions of euros)	2014			2013			2012		
	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	112	(135)	138	(39)	(244)	245	(27)	(94)	94
Cash flow hedges	1	(1)	1	(1)	1	(1)	7	23	(23)
Derivatives not qualifying for hedge accounting	(15)	39	(38)	4	44	(43)	9	13	(12)
TOTAL OUTSTANDING DERIVATIVES	98	(97)	101	(36)	(199)	201	(11)	(58)	59
Impact of outstanding derivatives on financial result	(15)	39	(38)	4	44	(43)	9	13	(12)
Impact of outstanding derivatives on income (loss) from operating activities	-	-	-	-	-	-	-	-	-
Impact of outstanding derivatives on equity	1	(1)	1	(1)	1	(1)	7	23	(23)

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

(In millions of euros)	
CASH FLOW HEDGES ACCOUNTED FOR IN EQUITY AT DECEMBER 31, 2011	(13)
Changes in fair value	17
Reclassification of gains or losses to income statement (1)	(3)
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	-

(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

	2014				2013				2012			
(In millions of euros)	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	3	167	6	176	-	158	7	165	1	146	7	154
Financial assets at fair value through profit or loss (1)	-	1,605	-	1,605	-	2,192	-	2,192	-	1,480	-	1,480
Currency derivatives (2)	-	149	-	149	-	18	-	18	-	29	-	29
Interest-rate derivatives – hedging(2)	-	2	-	2	-	11	-	11	-	33	-	33
Interest-rate derivatives –other (2)	-	-	-	-	-	-	-	-	-	-	-	-
Cash equivalents (3)	1,096	383	-	1,479	1,476	147	-	1,623	906	133		1,039
TOTAL	1,099	2,306	6	3,411	1,476	2,526	7	4,009	907	1,821	7	2,735
Liabilities												
Currency derivatives (2)	-	(51)	-	(51)	-	(54)	-	(54)	-	(40)	-	(40)
Interest-rate derivatives – hedging (2)	-	-	-	-	-	(21)	-	(21)	-	-	-	-
Interest-rate derivatives – other (2)	-	(9)	-	(9)	-	-	-	-	-	(1)	-	(1)
TOTAL	-	(60)	-	(60)	-	(75)	-	(75)	-	(41)	-	(41)

(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 2014 and 2013, and between 2013 and 2012.

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.

(In millions of euros)	
AMOUNT IN LEVEL 3 AT DECEMBER 31, 2012	7
Additions / (disposals)	-
Fair value changes through equity	(1)
Impairment losses	-
Change in consolidated group	-
Other changes	1
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

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, 2014, 2013 or 2012.

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:

(In millions of euros)	2014	2013	2012
Trade receivables and other receivables (1)	2,528	2,482	2,860
Marketable securities (2)	1,672	2,259	1,528
Cash and cash equivalents (3)	3,878	4,096	3,401
Other financial assets (2)	406	322	341
Foreign exchange derivative assets (4)	149	18	29
Interest-rate derivative assets (4)	2	11	33
Other assets (4)	1,120	1,135	1,092
Financial guarantees and off balance sheet commitments (5)	2	8	4
MAXIMUM EXPOSURE TO CREDIT RISK	9,757	10,331	9,288

(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, 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

(In millions of euros)	Carrying value at December 31, 2012	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	41	41	-	-	-	-	-
Other trade receivables	2,940	2,576	83	93	41	27	244
Gross value	**2,981**						
Valuation allowance	(120)						
NET VALUE	2,861	2,617	83	93	41	27	244

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, 2011	(123)
Net result impact	(5)
Write-offs	8
Translation adjustments	-
Other changes	-
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)

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, 2014, December 31, 2013 and December 31, 2012. 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, 2014, 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

(In millions of euros)	2014	2013 (1)	2012 (1)
Net income (loss) attributable to the equity owners of the parent	**(118)**	**(1,304)**	**(2,011)**
Non-controlling interests	**35**	**10**	**(77)**
Adjustments:			
• Depreciation and amortization of tangible and intangible assets	545	600	830
Of which impact of capitalized development costs	*164*	*163*	*227*
• Impairment of assets	-	548	894
• Post-retirement benefit plan amendment	(112)	(135)	(204)
• Changes in pension and other post-retirement benefit obligations, net	(50)	(38)	10
• Provisions, other impairment losses and fair value changes	252	53	246
• Repurchase of bonds and change of estimates related to convertible debentures (2)	132	226	205
• Net (gain) loss on disposal of assets	(88)	(31)	(30)
• Share in net income (losses) of equity affiliates (net of dividends received)	(15)	(6)	(4)
• (Income) loss from discontinued operations	49	25	(639)
• Finance costs and interest on tax litigations	279	391	271
• Share-based payments	16	19	26
• Income tax	(316)	(173)	423
Sub-total of adjustments	**692**	**1,479**	**2,028**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL, INTEREST AND TAXES	609	185	(60)

(1) 2013 and 2012 amounts are re-presented to reflect the impacts of discontinued operations (see Note 9).

(2) See Notes 7 and 24.

b/ Free cash flow

(In millions of euros)	2014	2013 (1)	2012 (1)
Net cash provided (used) by operating activities before changes in working capital, interest and income taxes	**609**	**185**	**(60)**
Change in operating working capital (2)	(129)	(67)	326
Other current assets and liabilities (3)	(35)	34	(153)
Net cash provided (used) by operating activities before interest and taxes	**445**	**152**	**113**
Of which			-
– *restructuring cash outlays*	*(463)*	*(511)*	*(329)*
– *contribution and benefits paid on pensions & other post-employment benefits*	*(192)*	*(189)*	*(190)*
Interest received/(paid)	(225)	(296)	(202)
Taxes received/(paid)	(93)	(77)	(55)
Net cash provided (used) by operating activities	**127**	**(221)**	**(144)**
Capital expenditures	(556)	(463)	(524)
Disposal of Intellectual Property	9	27	-
FREE CASH FLOW	(420)	(657)	(668)

(1) 2013 and 2012 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

(In millions of euros)	2014	2013	2012
Obtaining control of consolidated entities			
Cash (expenditure) on acquisition of newly consolidated entities	(14)	-	-
Cash and cash equivalents of newly consolidated entities	-	-	4
TOTAL - NET IMPACT ON CASH FLOWS OF OBTAINING CONTROL	(14)	-	4
Losing control of consolidated entities			
Cash proceeds from disposal of formerly consolidated entities	113	-	-
Cash and cash equivalents of formerly consolidated entities	(29)	-	(5)
TOTAL - NET IMPACT ON CASH FLOWS OF LOSING CONTROL	84	-	(5)

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, 2014. 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.

(In millions of euros)	Payment deadline				
Contractual payment obligations	Before December 31, 2015	2016-2017	2018-2019	2020 and after	Total
Financial debt (excluding finance leases)	397	875	1,143	2,847	5,262
Finance lease obligations	9	9	-	-	18
Equity component of convertible bonds	-	-	192	88	280
Sub-total - included in statement of financial position	406	884	1,335	2,935	5,560
Finance costs on financial debt	231	409	339	125	1,104
Operating leases	165	237	158	180	740
Commitments to purchase fixed assets	35	-	-	-	35
Unconditional purchase obligations (1)	925	731	534	127	2,317
Sub-total - commitments not included in statement of financial position	1,356	1,377	1,031	432	4,196
TOTAL CONTRACTUAL OBLIGATIONS (2)	1,762	2,261	2,366	3,367	9,756

(1) Of which €594 million relate to commitments made to HP pursuant to the sales cooperation agreement and the IT outsourcing transaction entered into with HP and €635 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.

(2) 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 €83 million at December 31, 2014 (€76 million at December 31, 2013 and €99 million at December 31, 2012).

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

(In millions of euros)	2014	2013	2012
Lease payments - minimum	199	230	231
Lease payments - conditional	4	2	7
Sublease rental income	(24)	(26)	(26)
TOTAL RECOGNIZED IN THE INCOME STATEMENT	179	206	212

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:

(In millions of euros)	2014	2013	2012
Guarantees given on contracts made by the Group	1,637	1,180	1,217
Discounted notes receivable with recourse (1)	-	-	1
Other contingent commitments (2)	737	671	716
Sub-total—contingent commitments	**2,374**	**1,851**	**1,934**
Secured borrowings (3)	2	8	4
TOTAL (4)	**2,376**	**1,859**	**1,938**

(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, 2014

(In millions of euros)	Maturity date				
Contingent commitments	**Less than one year**	**2 to 3 years**	**4 to 5 years**	**After 5 years**	**Total**
Guarantees on Group contracts (1)	830	377	15	395	1,617
Guarantees on third-party contracts	16	4	-	1	21
Discounted notes receivable and other	-	-	-	-	-
Other contingent commitments	50	238	134	314	736
TOTAL	**896**	**619**	**149**	**710**	**2,374**
COUNTER GUARANTEES RECEIVED					**91**

(1) Reflected in statement of financial position: €97 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, 2014" 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, 2014 (nil as of December 31, 2013 and as of December 31, 2012).

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, 2014

(In millions of euros)	Maturity date						
Guarantees on borrowings and advance payments received	**Less than one year**	**2 to 3 years**	**4 to 5 years**	**After 5 years**	**Total**	**Total of the statement of financial position caption**	**% of the statement of financial position caption**
Security interests granted	-	-	-	-	-		
Other guarantees given	2	-	-	-	2		
TOTAL	2	-	-	-	2		
Net book value of assets given in guarantee:							
• intangible assets	-	-	-	-	-	1,011	0.00%
• tangible assets	-	-	-	-	-	1,132	0.00%
• financial assets	-	-	-	-	-	406	0.00%
• inventories and work in progress	-	-	-	-	-	1,971	0.00%
TOTAL	-	-	-	-	-		

Outsourcing transactions

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 function, including the outsourcing of our accounting function. This agreement supplements two similar service agreements regarding human resources and information technology. Each of the three corporate functions covered by our agreements with Accenture is called a “tower”. 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.

As part of an initial two-year transition and transformation phase, Alcatel-Lucent is committed to restructuring each of the three towers, which is estimated to cost €49 million. €38 million of these restructuring costs were incurred during 2014.

Overall, Alcatel-Lucent is committed to purchase approximately €757 million of Accenture goods and services until 2020. As of December 31, 2014, the remaining total purchase commitment was €635 million.

This commitment is included in the contractual payment obligations table above in the line “Unconditional purchase obligations” for the remaining balance as of December 31, 2014.

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, and covers: R&D development and maintenance, and human resources. As part of an initial three year transition and transformation phase, Alcatel-Lucent is committed to restructuring those activities, which is estimated to cost €40 million. Overall, Alcatel-Lucent is committed to purchase approximately €297 million of HCL services until 2021. As of December 31, 2014, the remaining total purchase commitment was €273 million.

This commitment is included in the contractual payment obligations table above in the line "Unconditional purchase obligations" for the remaining balance as of December 31, 2014.

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 18-month 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 is committed to restructuring its IT/IS operations, which is estimated to cost €200 million over ten years. These restructuring costs, which include severance costs and the costs of transferring certain legal entities and resources to HP, are recognized as incurred, starting in 2010. €8 million of these restructuring costs were incurred during 2014 (€94 million in 2013 and €31 million in 2012). In addition, in the fourth quarter of 2011 Alcatel-Lucent signed an amendment with HP relating to a supplemental €42 million of T&T costs that Alcatel-Lucent is to incur. €10 million of these supplemental costs were incurred during 2014 (€10 million in 2013 and €6 million in 2012).

As part of the transfer of resources, in 2010 we 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 €3 million finance lease obligation as of December 31, 2014 (€10 million as of December 31, 2013 and €10 million as of December 31, 2012).

Also as part of the overall arrangement with HP, Alcatel-Lucent committed to purchase approximately €514 million of HP goods and services (this amount increased by €62 million as of 2011 because the duration of the commitment increased by one year, until 2014). Of the total amount of approximately €514 million in purchase commitment, €311 million represents Alcatel-Lucent's commitment to effect annual purchases over the five-year period from January 1, 2010 through December 31, 2014 in an annual amount equal to €62 million, which is the annual amount spent by Alcatel-Lucent for HP goods and services from November 1, 2008 through October 31, 2009, and €202 million represents Alcatel-Lucent's commitment to effect incremental purchases over the same five-year period of HP goods and services to be used in the context of customer networks. As of December 31, 2014, the remaining total purchase commitment was €0 million (€104 million as of December 31, 2013 and €226 million as of December 31, 2012). The finance lease obligations and the unconditional purchase commitments related to the HP outsourcing transaction are included in the contractual payment obligations table presented above, in the lines "Finance lease obligations" and "Unconditional purchase obligations".

The two 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 €1,408 million (which amount includes €120 million of the €200 million restructuring costs mentioned above) and with a remaining commitment of €519 million as of December 31, 2014 (€644 million as of December 31, 2013 and €778 million as of December 31, 2012); 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 €298 million over ten years (with a remaining commitment of €75 million as of December 31, 2014 (€90 million as of December 31, 2013 and €105 million as of December 31, 2012)).

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, 2014.

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 2014, Alcatel-Lucent recorded a charge of €32 million for excess inventory commitments with our EMS providers compared to a charge of €26 million in 2013 (and a charge of €25 million in 2012).

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 €192 million on December 31, 2014). 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, 2014). 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 €412 million on December 31, 2014), (ii) in November 2013 6.750% Senior Notes due November 15, 2020 (the principal amount of which was €824 million on December 31, 2014) and (iii) in December 2013, 4.625% Senior Notes due July 1, 2017 (the principal amount of which was €535 million on December 31, 2014). 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, 2014 (U.S.$23 million of lease obligations as of December 31, 2013 and U.S.$47 million of lease obligations as of December 31, 2012), 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, 2014.

c/ Off balance sheet commitments - commitments received

(In millions of euros)	2014	2013	2012
Guarantees received or security interests received on lendings	-	46	46
Counter-guarantees received on guarantees given on contracts	1	1	1
Other commitments received	90	94	119
TOTAL	**91**	**141**	**166**

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, The Capital Group Companies, Inc. is the only shareholder holding more than 5% of the parent company's share capital as of December 31, 2014.

Transactions with related parties (as defined by IAS 24 "Related Party Disclosures") during 2014, 2013 and 2012 were as follows:

(In millions of euros) **Revenues**	2014	2013	2012
Non-consolidated affiliates	5	15	36
Joint operations	9	5	-
Joint ventures	-	-	-
Equity affiliates	2	9	8
Cost of sales			
Non-consolidated affiliates	(32)	(48)	(61)
Joint operations	(7)	(5)	-
Joint ventures	-	-	(26)
Equity affiliates	(98)	(104)	(114)
Research and development costs			
Non-consolidated affiliates	-	-	(8)
Joint operations	-	-	-
Joint ventures	-	-	-
Equity affiliates	-	-	-

Outstanding balances arising from related party transactions at December 31, 2014, 2013 and 2012 were as follows:

(In millions of euros) **Other assets**	**2014**	**2013**	**2012**
Non-consolidated affiliates	6	7	16
Joint operations	2		
Joint ventures	-	-	3
Equity affiliates [1]	11	21	11
Other liabilities			
Non-consolidated affiliates	(5)	(10)	(10)
Joint operations	(6)		
Joint ventures	-	-	-
Equity affiliates [1]	(22)	(17)	(12)
Cash (financial debt), net			
Non-consolidated affiliates	-	-	-
Joint operations	-	(2)	-
Joint ventures	-	-	8 [1]
Equity affiliates	-	-	-

(1) Loan to a co-venturer (refer to Notes 15 and 24a).

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 2014, 2013 and 2012, 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

(In millions of euros) **Short-term benefits**	**2014**	**2013 [1]**	**2012**
Fixed remuneration	4	5	8
Variable remuneration [2]	3	2	1
Directors' fees	1	1	1
Employer's social security contributions	2	2	2
Termination benefits and retirement indemnities	-	3	2
Other benefits			
Post-employment benefits	1	(1)[3]	4
Share-based payments	5	8	12
TOTAL	**16**	**20**	**30**

(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) 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

(In millions of euros)	2014	2013	2012
Wages and salaries (1)	4,148	4,630	4,970
Restructuring costs (2)	256	302	378
Post-retirement benefit plan amendments (3)	(112)	(133)	(204)
Financial component of pension and post-retirement benefit costs (4)	44	84	127
NET EMPLOYEE BENEFIT EXPENSES	4,336	4,883	5,271

(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

	Deloitte & Associés (Deloitte Touche Tohmastu network)				Ernst & Young (Ernst & Young network)			
(in thousands of euros)	2013		2014		2013		2014	
1. Audit								
Audit fees (statutory audit, audit of consolidated financial statements and certification)	**7,270**	***63%***	**7,372**	***81%***	**7,121**	***72%***	**6,795**	***78%***
Issuer	2,365	*20%*	2,438	*27%*	2,445	*25%*	2,398	*27%*
Consolidated entities	4,905	*42%*	4,934	*54%*	4,676	*48%*	4,397	*50%*
Audit-related fees	**3,874**	***33%***	**1,638**	***18%***	**2,447**	***25%***	**1,723**	***20%***
Issuer	578	*5%*	140	*2%*	2,123	*22%*	1,289	*15%*
Consolidated entities	3,296	*28%*	1,498	*16%*	324	*3%*	434	*5%*
SUB-TOTAL	11,144	*96%*	9,010	*99%*	9,568	*97%*	8,518	*97%*
2. Other services (not audit-related)								
Tax services	101	*1%*	123	*1%*	64	*1%*	122	*1%*
Other services	325	*3%*	25	*0%*	212	*2%*	98	*1%*
SUB-TOTAL	426	*4%*	148	*1%*	276	*3%*	220	*3%*
TOTAL	11,570	*100%*	9,158	*100%*	9,844	*100%*	8,738	*100%*

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

Beginning 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. Upon learning of these allegations, Alcatel commenced an investigation into this matter.

In connection with the Costa Rica allegations, on July 27, 2007, the Costa Rican Prosecutor's Office indicted eleven individuals, including the former president of Alcatel de Costa Rica, on charges of aggravated corruption, unlawful enrichment, simulation, fraud and others. Three of those individuals have since pled guilty. Shortly thereafter, the Costa Rican Attorney General's Office and ICE, acting as victims of this criminal case, each filed amended civil claims against the eleven criminal defendants, as well as five additional civil defendants (one individual and four corporations, including CIT) seeking compensation for damages in the amounts of U.S.$52 million (in the case of the Attorney General's Office) and U.S.$20 million (in the case of ICE). The Attorney General's claim supersedes two prior claims, of November 25, 2004 and August 31, 2006. On November 25, 2004, the Costa Rican Attorney General's Office commenced a civil lawsuit against CIT to seek pecuniary compensation for the damage caused by the alleged payments described above to the people and the Treasury of Costa Rica, and for the loss of prestige suffered by the Nation of Costa Rica (social damages). The ICE claim, which supersedes its prior claim of February 1, 2005, seeks pecuniary compensation for the damage caused by the alleged payments described above to ICE and its customers, for the harm to the reputation of ICE resulting from these events (moral damages), and for damages resulting from an alleged overpricing it was forced to pay under its contract with CIT. During preliminary court hearings held in San José during September 2008, ICE filed a report in which the damages allegedly caused by CIT are valued at U.S.$71.6 million.

Alcatel-Lucent settled the Attorney General's social damages claims in return for a payment by CIT of approximately U.S.$10 million. ICE argued that their civil claims are not included in the settlement with the Attorney General, and proceeded to take such civil claims to trial with the criminal claims. The trial of the criminal case, including the related civil claims, started on April 14, 2010. On April 5, 2011, the trial was closed by the Tribunal. The Tribunal rendered its verdict on April 27, 2011, and declined on procedural grounds to rule on ICE's related civil claims against Alcatel-Lucent. The Tribunal issued its full written ruling on May 25, 2011. The corresponding reserve previously booked for an amount of approximately €2 million was fully reversed during the second quarter 2011. In December 2012, the Court of Appeals (which found all of the individual defendants not guilty on procedural grounds) reversed the lower criminal court's decision not to rule in the matter of ICE's claim against Alcatel-Lucent and remanded that matter for resolution. In the beginning of 2013, ICE filed an extraordinary appeal on cassation before the Costa Rican Supreme Court seeking to obtain confirmation of the lower criminal court's decision which referred the parties to a civil court.In 2014, the Supreme Court reversed the Court of Appeals' decision to render invalid certain key evidence against some of the individual defendants and ordered the Court of Appeals to issue a new decision. The lower criminal court will decide on Alcatel-Lucent's claim against ICE for legal costs.

Additionally, in August 2007, ICE notified CIT of the commencement of an administrative proceeding to terminate the 2001 contract for CIT to install 400,000 GSM cellular telephone lines (the "400KL GSM Contract"), in connection with which ICE is claiming compensation of U.S.$59.8 million for damages and loss of income. By March 2008, CIT and ICE concluded negotiations of a draft settlement agreement for the implementation of a "Get Well Plan," in full and final settlement of the above-mentioned claim. This settlement agreement was not approved by ICE's Board of Directors which resolved, instead, to resume the aforementioned administrative proceedings to terminate the operations and maintenance portion of the 400KL GSM Contract, claim penalties and damages in the amount of U.S.$59.8 million and call the performance bond. CIT was notified of the termination by ICE of this portion of the 400 KL GSM Contract on June 23, 2008. ICE has made additional damages claims and penalty assessments related to the 400KL GSM Contract that bring the overall exposure under the contract to U.S.$78.1 million in the aggregate, of which ICE has collected U.S.$5.9 million.

In June 2008, CIT filed an administrative appeal against the termination mentioned above. ICE called the performance bond in August 2008, and on September 16, 2008 CIT was served notice of ICE's request for payment of the remainder amount of damages claimed, U.S.$44.7 million. On September 17, 2008, the Costa Rican Supreme Court ruled on the appeal filed by CIT stating: (i) that the U.S.$15.1 million performance bond amount was to be reimbursed to CIT and (ii) to suspend the U.S.$44.7 million claim until final resolution by the competent court of the case. Following a clarification request filed by ICE, the Court finally decided that the U.S.$15.1 million performance bond amount was to remain deposited in an escrow account held by the Court, until final resolution of the case. On October 8, 2008, CIT filed a claim against ICE requesting the court to overrule ICE's partial termination of the 400KL GSM Contract and claiming compensation for the damages caused to CIT. In January 2009, ICE filed its response to CIT's claim. At a court hearing on March 25, 2009, ICE ruled out entering into settlement discussions with CIT. On April 20, 2009, CIT filed a petition to the Court to recover the U.S.$15.1 million performance bond amount and offered the replacement of such bond with a new bond that would guarantee the results of the final decision of the Court. CIT appealed the Court's rejection of such petition and the appeal was resolved on March 18, 2010 in favor of CIT. As a consequence of this decision, CIT can collect the aforementioned U.S.$15.1 million amount upon submission to the Court of a bank guarantee for an equivalent amount. Preliminary court hearings on CIT's substantive case were held between October 2009 and October 2010. The case is expected to be set for trial in 2015.

On October 14, 2008, the Costa Rican authorities notified CIT of the commencement of an administrative proceeding to ban CIT from government procurement contracts in Costa Rica for up to 5 years. In March 2010, CIT was notified of a new administrative proceeding whereby ICE seeks to ban CIT from procurement contracts, as a consequence of alleged material breaches under the 400KL GSM Contract (in particular, in connection with failures related to road coverage and quality levels). The administrative proceeding was suspended on December 8, 2009 pending the resolution of the criminal case mentioned above.

On May 3, 2012, ICE filed before the Tribunal Contencioso Administrativo y Civil de Hacienda of Costa Rica a new claim against a number of Alcatel-Lucent legal entities with regards to the corruption matter that was investigated by and settled with the Costa Rican and United States authorities. ICE subsequently reformulated its claim, requesting U.S.$18 million for pecuniary losses and an undetermined amount for moral damages.

The Tribunal, at a hearing on March 15, 2014, ruled in favor of Alcatel-Lucent, confirming that the claim had already been settled. Alcatel-Lucent had not booked a reserve for this claim. ICE appealed in cassation before the Supreme Court. The Court has not yet issued a pronouncement as to the admissibility of the appeal.

Alcatel-Lucent generated €2 million in revenue from Costa Rican contracts in 2014. Based on the amount of revenue expected from these contracts, Alcatel-Lucent believes that the loss of business in Costa Rica, if it were to occur, would not have a material adverse effect on the Alcatel-Lucent group as a whole.

Alcatel-Lucent has recognized a provision in connection with the various ongoing proceedings in Costa Rica when reliable estimates of the probable future outflow were available.

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 not expected before the end of 2015. 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, 2014.

Note 32 Events after the statement of financial position date

There were no events that have a material impact on the financial status that occurred between the statement of financial position date and February 5, 2015, the date when the Board of Directors authorized the consolidated financial statements for issue.

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
Operating companies (1)			
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
Coralec	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) 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.

(In millions of euros – except per share data) **2012** [(1)]	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Revenues	3,048	3,379	3,428	3,909	13,764
Cost of sales	(2,147)	(2,338)	(2,509)	(2,759)	(9,753)
Gross profit	**901**	**1,041**	**919**	**1,150**	**4,011**
Administrative and selling expenses	(573)	(535)	(536)	(517)	(2,161)
Research and development costs	(595)	(575)	(581)	(579)	(2,330)
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments	**(267)**	**(69)**	**(198)**	**54**	**(480)**
Restructuring costs	(74)	(105)	(60)	(240)	(479)
Litigations	1	-	1	-	2
Gain/(loss) on disposal of consolidated entities	-	-	-	11	11
Impairment of assets	-	-	-	(894)	(894)
Post-retirement benefit plan amendments	-	30	5	169	204
Income (loss) from operating activities	**(340)**	**(144)**	**(252)**	**(900)**	**(1,636)**
Finance costs	(65)	(69)	(71)	(74)	(279)
Other financial income (loss)	(53)	(239)	(57)	(45)	(394)
Share in net income (losses) of associates & joint ventures	1	-	1	3	5
Income (loss) before income tax and discontinued operations	**(457)**	**(452)**	**(379)**	**(1,016)**	**(2,304)**
Income tax, (charge) benefit	81	80	26	(610)	(423)
Income (loss) from continuing operations	**(376)**	**(372)**	**(353)**	**(1,626)**	**(2,727)**
Income (loss) from discontinued operations	633	(29)	27	8	639
NET INCOME (LOSS)	**257**	**(401)**	**(326)**	**(1,618)**	**(2,088)**
Attributable to:					
– Equity owners of the parent	259	(396)	(316)	(1,558)	(2,011)
– Non-controlling interests	(2)	(5)	(10)	(60)	(77)
Earnings (loss) per share (in euros) [(2)]					
Basic earnings (loss) per share:					
– from continuing operations	(0.16)	(0.15)	(0.14)	(0.65)	(1.11)
– from discontinued operations	0.27	(0.02)	0.01	0.00	0.27
– attributable to the equity owners of the parent	0.11	(0.17)	(0.13)	(0.65)	(0.84)
Diluted earnings (loss) per share:					
– from continuing operations	(0.16)	(0.15)	(0.14)	(0.65)	(1.11)
– from discontinued operations	0.21	(0.02)	0.01	0.00	0.22
– attributable to the equity owners of the parent	0.09	(0.17)	(0.13)	(0.65)	(0.84)

(1) 2012 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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Exhibit 1.1

ALCATEL LUCENT

ARTICLES OF ASSOCIATION AND BY-LAWS

December 31 , 2014

Alcatel·Lucent

THIS DOCUMENT IS A TRANSLATION FROM FRENCH INTO ENGLISH, DELIVERED AT THE REQUEST OF THE RECIPIENT AND HAS NO OTHER VALUE THAN AN INFORMATIVE ONE.

SHOULD THERE BE ANY DIFFERENCE BETWEEN THE FRENCH AND THE ENGLISH VERSION, ONLY THE TEXT IN FRENCH LANGUAGE SHALL BE DEEMED AUTHENTIC AND BINDING.

ARTICLES OF ASSOCIATION AND BY-LAWS

Article 1 – Legal Form

The Company, made up of holders of existing shares and shares that may be issued in the future, is in the form of a "*société anonyme*" governed by the statutory and regulatory provisions in force at present and in the future and by the present Articles of association and by-laws.

Article 2 – Purpose

The purpose of the Company in all countries shall be:

1/ The study, the manufacture, the development and the business of all devices, equipment and software relating to domestic, industrial, civilian or military applications and other applications related to electricity, telecommunications, data processing, electronics, space industry, nuclear power, metallurgy and generally to all means of production and transmission of power or communications (cables, batteries and other components) and all possible activities related to operations and services in connection with the above-mentioned means.

2/ The acquisition, the use and the sale or transfer of all patents, licenses, royalties, manufacturing processes and secrets, knack, patterns, trademarks or software related to the devices and equipment mentioned in the above paragraph.

3/ The creation, the acquisition, the use, the transfer, the leasing of all industrial or commercial premises, factories, buildings, equipment and machines of any kind, necessary or useful for the implementation of its objects.

4/ The acquisition of equity participations in any company, association, partnership, French or other, irrespective of its legal form, object and activity.

5/ The management of shares and securities, investment by any means whatsoever, and in particular by acquisition, increase in capital, take-over or merger.

6/ The creation, the acquisition, the taking of lease or granting, the management of all companies, French or others, whatever their activities, and in particular in the financial, industrial, commercial, mining, agricultural fields or connected to the activities described in paragraph 1.

7/ The management of its own assets, fixed or moveable, and of any assets, irrespective of their structure.

The above shall be carried out by the Company, directly or indirectly, by way of forming companies, contributions, subscription or purchase of securities or corporate rights, merger, take-over, capital investment by a silent partner, partnerships or in any other way.

In general, the Company may carry out all industrial, commercial, financial operations, fixed or moveable property, connected, directly or indirectly, wholly or in part, to the above-mentioned object and to similar or related objects.

Article 3 – Name

The name of the Company is:

Alcatel Lucent

Article 4 – Registered office

The registered office is at 148/152, Route de la Reine – 92100 Boulogne-Billancourt.

Article 5 – Duration

Except in the case of an early termination or extension agreed by an extraordinary Shareholders' Meeting, the duration of the company shall be ninety nine years as of July 1, 1987.

Article 6 – Capital

The share capital is set at one hundred and forty-one million, twenty-one thousand, six hundred and thirteen euro and fifty cent (€ 141,021,613.50). It is made up of two billion eight hundred and twenty million four hundred and thirty-two thousand two hundred and seventy shares (2,820,432,270) with a par value of five cent (0.05 Euro) each, fully paid up.

Article 7 – Form, registration, holders, thresholds of shares

Shares shall be registered until fully paid up.

Fully paid-up shares shall be registered or bearer shares as the Shareholder chooses, subject to the provisions of (2) below. Further to the statutory requirement to notify the Company of certain percentage share holdings, any Shareholder, natural or legal person holding a number of Company shares equal to or in excess of:

1/ 2% of the total number of the shares must, within a period of five trading days from the date on which this share ownership threshold is reached, inform the company of the total number of shares that he owns, by letter or fax. This notification shall be renewed under the same conditions each time a further threshold of 1% is reached.

2/ 3% of the total number of the shares must, within a period of five trading days from the date on which this share ownership threshold is reached, request the registration of his shares. This obligation to register shares shall apply to all the shares already held as well as to any which might be acquired subsequently in excess of this threshold. The copy of the request for registration, sent by letter or fax to the company within fifteen days from the date on which this share ownership threshold is reached, shall be deemed to be a notification that the threshold has been reached. A further request shall be sent in the same conditions each time a further threshold of 1% is reached, up to 50%.

Calculation of the thresholds in (1) and (2) above shall include indirectly held shares and shares equivalent to existing shares as defined in Article L. 233-7 and seq. of the Commercial Code.

Shareholders must certify that all securities owned or held as defined in the preceding paragraph are included in each such declaration and must also indicate the date(s) of acquisition.

Should Shareholders not comply with the provisions set forth in (1) and (2) above, voting rights for shares exceeding the declarable thresholds shall, at the request of one or more Shareholders holding at least 3% of share capital, be withdrawn under the conditions and within the limits laid down by law.

Any shareholder whose shareholding falls below either of the thresholds provided for in (1) and (2) above must also inform the company thereof, within the same period of five days and in the same manner.

Shares shall be materialized by registration in the owner's name in the books of the issuing Company or of an authorized intermediary.

Transfers of registered securities shall be made from one account to another. The registration, transfer and disposal of securities shall be carried out in accordance with the laws and regulations in force.

Where the parties are not exempted from such formalities by law, the Company may require certification of signed declarations, transfer or assignment orders in accordance with the laws and regulations in force.

The Company may, in accordance with the laws and regulations in force, request from all organizations or authorized intermediaries any information concerning Shareholders or holders of securities with immediate or future voting rights, their identity, the number of securities they hold and the possible limitations imposed on them.

Article 8 – Paying-up of the shares

The total amount of the shares issued by way of increase in capital and to be paid-up in cash is payable under the conditions set out by the Board of Directors. The calling-up of capital is notified to the subscribers and Shareholders at least ten days before the date fixed for each payment, by a notice inserted in a legal journal appearing in the place where the registered office of the Company is situated, or by individual recorded delivery.

Any delay in the payment of sums due shall incur, in itself, and without the need for any formalities, the payment of interest at the legal rate, on a daily basis, starting from the date of the demand for payment without prejudice to the personal action that the Company can exercise against the defaulting Shareholder and the means of enforcement provided for by law.

Article 9 – Rights and obligations of shares

Each share shall give entitlement to Company assets and distribution of profits in the proportions set out in Articles 24 and 25 below, with the exception of rights attached to shares of different categories that may be created.

Tax charges shall be levied as a whole on all shares without distinction, such that each share in a same Class shall give entitlement to payment of the same net amount on any distribution or reimbursement made during the Company's term or on liquidation.

Shareholders shall be liable only up to the nominal amount of each share held. Any call to pay in capital in excess of such amount is prohibited.

Dividends and income from shares issued by the Company shall be paid under the conditions authorized or provided for by the regulations in force and in such a way as the Shareholders' Meeting or, failing that, the Board of Directors, shall decide.

Rights and obligations shall remain attached to a share regardless of who holds the share.

Ownership of a share entails as of right acceptance of the Company's Articles of Association and by-laws and of resolutions of the Shareholders' Meeting.

Shares are indivisible with regard to the Company; joint owners of shares must be represented by a single person. Shares with usufruct must be identified as such in the share registration.

Article 10 – Creditors of Shareholders

Creditors of a Shareholder may not, by whatsoever means, cause the goods or assets of the Company to be placed under seal, divided or sold by auction and may not interfere in any way with the Company's management. In the exercise of their rights they must rely on Company records and resolutions of Shareholders' Meeting.

Article 11 – Issuance of securities representing debt

The company may contract borrowings as and when needed by means of the issuance of securities representing debt, under the conditions provided by law.

Article 12 – Management

The Company shall be managed by a Board of Directors consisting of no less than six and no more than fourteen members.

Each Director must hold at least 500 Company shares.

Article 13 – Term of office for Director – Age limit

The Directors are elected for a period of three years. Exceptionally, the Shareholders' Meeting may appoint a Director for a period of one or two years in order to stagger the Directors' terms of office. Outgoing Directors shall be eligible for re-election, subject to the provisions below.

A Director appointed to replace another Director shall hold office only for the remainder of his predecessor's term of office.

The maximum age for holding a Directorship shall be 70. This age limit does not apply if less than one third, rounded up to the nearest whole number, of serving Directors have reached the age of 70. No Director over 70 years hold may be appointed if as a result more than one third of the serving Directors rounded up as defined above, are over 70 years hold.

If for any reason whatsoever the number of serving Directors over 70 years hold should exceed one third as defined above, the oldest Director(s) shall automatically be deemed to have retired at the ordinary Shareholders' Meeting called to approve the accounts of the financial year in which the proportion of Directors over 70 years hold was exceeded, unless the proportion was re-established in the interim.

Directors representing legal persons shall be taken into account when calculating the number of Directors to which the age limit does not apply.

Directors representing legal persons must replace any 70 year old representative at the latest at the ordinary Shareholders' Meeting called to approve the accounts of the financial year in which such representative reached the age of 70.

The age limitations set forth in this Article shall apply to any Chairman of the Board of Directors, provided that such Chairman is not also the Chief Executive Officer of the Company, in which case the age limitation set forth in Article 18 shall apply.

Article 14 – Board Observers

On proposal of the Chairman, the Board of Directors must propose to the Shareholders' Meeting the appointment of two Board Observers satisfying the conditions described hereunder. The Board observers shall be called to the meetings of the Board of Directors and shall participate in a consultative capacity. The Board Observers are elected for a period of three years. Exceptionally, the Shareholders' Meeting may appoint a Board Observer for a period of two years in order to stagger the Board observers' terms of office. Outgoing Board Observers shall be eligible for re-election.

They shall be, at the time of their appointment, both salaried employees of the Company or of an affiliate and members of a mutual fund in accordance with the conditions set out below. All mutual funds meeting the conditions below may nominate candidates for appointment as Board Observers.

With regard to the above provisions:

1. An affiliate of the Alcatel Lucent group shall be defined as any company in which Alcatel Lucent directly or indirectly holds at least half of the voting rights and/or any company in which an Alcatel Lucent affiliate directly or indirectly holds at least half of the voting rights.

2. The mutual funds referred to above are those formed as a result of a Company share holding scheme in which the Company or an affiliate is a participant and having at least 75% of its portfolio in Company shares.

If for any reason one of the Board Observers appointed by the Shareholders' Meeting as provided above should no longer meet the joint conditions defined above (employee of the group or an affiliate and member of a mutual fund), he shall automatically be deemed to have retired one calendar month after the joint conditions are no longer met.

Should the number of Board observers meet the joint conditions as defined above (employment in the group and membership of a mutual fund) fall below the number of two for any reason whatsoever, the Board of Directors must make up its numbers within three months either by appointment upon the affirmative vote of the majority of the Directors present or represented, subject to ratification by the nearest shareholders' meeting, or by calling a Shareholders' Meeting to appoint a Board observer meeting the conditions defined hereunder.

On the Chairman's proposal, the board of Directors can propose to the Annual Shareholders' Meeting the appointment of one or more Board Observers who do not meet the above requirements, among the shareholders or not, it being specified that total number of Board observers shall not exceed six.

The Board Observers' compensation shall be determined by the Shareholders Meeting on a yearly basis and allocated by the Board of Directors.

Article 15 – Meetings of the Board of Directors

1. Board shall meet as often as required in the interest of the Company at the corporate headquarters or any other location, either in France or abroad, as determined by the Chairman in consultation with the Chief Executive Officer.

   The meeting is called by the Chairman as stipulated by law, by any means, even verbally, and may be called at the request of the Chief Executive Officer or at least one-third of the Directors.

   An agenda clearly stating matters to be discussed shall be attached to each notice of meeting.

   In the event the Chairman and the Vice-Chairman or Chairmen cannot attend, the Chairman or, if he does not do so, the Board may designate for each meeting the Director who shall chair the meeting.

2. Any Director, whether a natural person or the standing representative of a legal person, may give another Director power of attorney to represent him at a board meeting; the authorized agent must show proof of his power of attorney at the start of the meeting. Directors may hold only one power of attorney per meeting which shall be valid for a specific meeting only.

   Except in the cases excluded by law, Directors who participate in meetings of the board of Directors by means of videoconferencing or of telecommunication enabling them to be identified and guaranteeing their effective participation under the conditions provided by applicable law, shall be deemed to be present for the purposes of calculating the meeting's quorum and majority.

3. Except as stipulated in Paragraphs 3 and 4 of Article 16 below, for resolutions governing the choice of management, resolutions shall be adopted under the quorum and majority laid down by law. In the event of a tie, neither the Chairman nor any Director acting as chairman shall have casting vote.

4. The minutes of the meetings shall be drawn up and copies shall be certified and delivered in accordance with the law.

5. On the Chairman's proposal, the Board may authorize members of management or third parties to attend Board meetings; they shall not have a vote

Article 16 – Powers and duties of the Board of Directors

1/ The Board of Directors is vested with complete authority granted to it by the legislation in effect.

The Board shall determine the business strategies of the company and shall ensure their implementation.

Subject to the authority expressly reserved for the Shareholders, and within the limits of the corporate purpose, the Board of Directors shall deal with any question that affects the company's operations, and governs the affairs of the company through its deliberations.

2/ The Board of Directors shall decide whether the management of the company will be performed by the Chairman of the Board of Directors or by a Chief Executive Officer.

The Board of Directors may deliberate on this choice only if at least two-thirds of its current members are present. When it has been unable to deliberate because the required quorum is not present, the Board of Directors must meet a second time to deliberate again within a maximum period of ten days.

3/ The Board's decision with respect to the management method of the company shall be made by a two-thirds majority of the Directors present or represented, and shall remain valid until a new decision from the Board.

4/ Each Director shall receive all of the information necessary to perform the duties of his office and may obtain any document he deems useful.

5/ Notwithstanding statutory provisions, particularly those concerning the chairman of the Board of Directors or the Chief Executive Officer, if he is a Director, Directors do not in the exercise of their management enter into any personal or joint undertaking with regard to the Company's commitments; within the limits set by the laws in force, they shall only be liable for performance of their appointed duties.

Article 17 – Chairman, Vice-Chairmen, Chief Executive Officer, Deputy Chief Executive Officers, and Secretary

1. The Board of Directors shall appoint, under a simple majority vote of the Directors present or represented, from among its members a Chairman for a term not to exceed the term of his/her position as a Director.

   The Chairman of the Board of Directors shall perform the missions assigned to him by law; in particular, he shall ensure the proper functioning of the company's governing bodies. He shall chair meetings of the Board of Directors, organize the work of the Board, and ensure that the Directors are able to fulfill their mission.

   The Board of Directors shall appoint, if it so wishes, one or more Vice-Chairman, and shall set their term of office which may not exceed their term as Director. The Vice-Chairman, or the most senior Vice-Chairman, shall perform the duties of the Chairman when he is unable to do so.

2. If the Board of Directors does not assign the general management of the Company to the Chairman, the Board of Directors shall appoint, under a simple majority vote of the Directors present or represented, whether from among its members or outside the board, a Chief Executive Officer for a term, determined by the Board of Directors at the time of such appointment, not to exceed, if applicable, the term of his/her position as a Director.

3. The Chief Executive Officer is invested as of right with the fullest power to act in all circumstances as the Company's behalf, within the limits of the corporate purpose and subject to the powers expressly invested in Shareholders' Meetings by law and the powers specifically invested in the Board of Directors.

   The Chief Executive Officer shall represent the company in its relations with third parties. He shall represent the company in the courts.

   When the Chairman of the Board of Directors assumes the management of the company, the provisions of this Article and the law governing the Chief Executive Officer shall apply to him.

4. On the proposal of the Chief Executive Officer, the Board of Directors may authorize one or more persons to assist him, who shall have the title of Senior Executive Vice-President.

   A maximum of five Senior Executive Vice-Presidents may be appointed.

   The scope and duration of the powers delegated to Senior Executive Vice-Presidents shall be determined by the Board of Directors in agreement with the Chief Executive Officer.

   Senior Executive Vice-Presidents have the same authority as the Chief Executive Officer with respect to third persons.

   In the event the office of Chief Executive Officer becomes vacant, the duties and powers of the Senior Executive Vice-Presidents shall continue until the appointment of a new Chief Executive Officer, unless otherwise decided by the Board of Directors.

5. The Board of Directors on the recommendation of the Chairman or the Chief Executive Officer, the chairman or the Chief Executive Officer themselves and the Senior Executive Vice President or Vice Presidents, may, within the limits set by law, delegate such powers as they or he deem fit, either for the management or conduct of the Company’s business or for one or more specific purposes, to all authorized agents, whether members of the board or not or member of the Company or not, individually or as committees. Such powers may be standing or temporary and may or may not be delegated to deputies.

   All or some of such authorized agents may also be authorized to authenticate all copies or extracts of all documents for which certification procedures are not laid down by law, and in particular all powers of attorney, Company accounts and Articles of association and by-laws, and to issue all certificates pertaining thereto.

   Powers of attorney granted by the board of Directors, the Chairman, the Chief Executive Officer or the Senior Executive Vice President or Vice Presidents pursuant to the present Articles of association and by-laws shall remain effective should the terms of office of the Chairman, the Chief Executive Officer, the Senior Executive Vice President, or Directors expires at the time such powers of attorney were granted.

6. The Board shall appoint a secretary and may also appoint a deputy secretary under the same terms.

Article 18 – Age limit for Chief Executive Officer and Deputy Executive Officers

The Chief Executive Officer and Deputy Executive Officers may hold office for the period set by the Board of Directors, but this period shall not exceed their term of office as Directors, if applicable, nor in any event shall such period extend beyond the date of the Ordinary Shareholders’ Meeting called to approve the financial statements for the fiscal year in which they shall have reached 68 years of age. The same age limit shall apply to the Chairman when he/she is also the Chief Executive Officer. When the Chairman does not also occupy the position of Chief Executive Officer, he may hold the office of Chairman for the period set by the Board of Directors, but this period shall not exceed his/her term of office as Director, subject to the terms set forth in Article 13.

Article 19 – Remuneration of Corporate Officers and Directors

1. The remuneration for the Chairman of the Board of Directors, the Chief Executive Officer, and the Senior Executive Vice-President or Vice-Presidents shall be set by the Board of Directors. Said remuneration may be fixed and/or proportional.
2. The Shareholder's Meeting may award and set Directors' fees which shall remain unchanged until amended by a new resolution.

The Board shall distribute said amount among the Directors as it sees fit and as required by law.

Directors may not receive from the Company any remuneration, permanent or not, other than those specified by the law or nor contrary to it.

Article 20 – Statutory auditors

The ordinary Shareholders' Meeting shall appoint at least two statutory auditors to undertake the duties required by law. The auditors may be reappointed.

The Shareholders' Meeting shall appoint as many deputy auditors as statutory auditors pursuant to paragraph 1 above.

Article 21 – Shareholders' Meetings

1. Ordinary and extraordinary Shareholder's Meetings shall be convened and held according to the rules and procedures laid down by law.

   The duly constituted Shareholders' Meeting shall represent all the Shareholders.

   Its decisions are binding on all Shareholders, including those not present or dissenting.
2. Meetings shall take place at the registered office or at any other place specified in the notice of Meeting.
3. A shareholder may participate in a Shareholders' Meeting in person, by mail or by proxy upon presentation of proof of identity and upon proof of registration of his shareholding in the company, at midnight (French time) on the third Business Day prior to the Shareholders' Meeting, either in the shareholders' register held by the company or in the register of bearer shares held by the authorized intermediary. Entry in the register of bearer shares held by the authorized intermediary shall be proved by a certificate of attestation of the shareholding to be delivered by the authorized intermediary within the time and on the terms and conditions stipulated in the regulations in force.

   Subject to the terms and conditions defined by regulations and the procedures defined by the Board of Directors, Shareholders may participate and vote in all Ordinary or Extraordinary Shareholders' Meetings by video-conferencing or any electronic communication method, including internet, that allows identification of the Shareholder.
4. Subject to the conditions defined by regulations, Shareholders may send their proxy or mail voting form for any Ordinary or Extraordinary Meeting either in paper form or, on the decision of the Board of Directors published in the notices of meetings, by electronic transmission. The electronic signature of the form consists, by a prior decision of the Board of Directors, of any process of identifying which safeguards its link with the electronic form to which it relates by a login and password or any other process in the conditions defined by regulations in force.

In order to be considered, all necessary forms for votes by mail or by proxy must be received at the Company's registered offices or at the location stated in the notice of the Meeting at least three days before any Shareholders' Meeting. This time limit may be shortened by decision of the Board of Directors. Instructions given electronically that include a proxy or power of attorney may be accepted by the company under the conditions and within the deadlines set by the regulations in effect.

5. The Meeting may be rebroadcast by video-conferencing or electronic transmission. If applicable, this will be mentioned in the notice of Meeting.

6. A shareholder who has voted by correspondence, sent a delegation of power or requested an admission card or certificate of attestation of shareholding may nevertheless transfer all or part of the shares in respect of which he has voted by correspondence, sent a delegation of power or requested an admission card or certificate of attestation of shareholding. However, if the transfer occurs prior to midnight (French time) on the third Business Day prior to the Shareholders' Meeting, upon notification by the authorized intermediary which holds the share register, the company shall cancel or amend, as the case may be, the vote by correspondence, the delegation of power, the admission card or the certificate of attestation of shareholding. Notwithstanding any agreement to the contrary, no transfer or any other transaction which occurs after midnight (French time) on the third Business Day prior to the Shareholders' Meeting, whatever means are used, shall be notified by the authorized intermediary or taken in to account by the company.

7. The Shareholders' Meeting shall be chaired either by the Chairman or Vice Chairman of the Board of Directors, or by a Director appointed by the Board of Directors or by the Chairman.

   Shareholders shall appoint the officers of the Meeting made up of the Chairman, two tellers and a secretary.

   The tellers shall be the two members of the Meeting representing the largest number of votes or, should they refuse, those who comme after in descending order until the duties are accepted.

8. Copies or extracts of the minutes may be authentificated by the Chairman of the Board of Directors, the secretary of the Shareholders' Meeting, or the Director appointed to chair the Meeting.

Article 22 – Voting rights

Without prejudice to the following provisions, each member of the Shareholders' Meeting has as many votes as shares that he/SHE owns or represents.

However, double voting rights are attached to all fully paid up registered shares, registered in the name of the same holder for at least three years.

Double voting rights shall be cancelled as of right for any share that is converted into a bearer share or whose ownership is transferred. However, the period set here above shall not be interrupted, nor existing rights cancelled, where ownership is transferred, the shares remaining in registered form, as a result of intestate or testamentary succession, the division between spouses of a common estate, or donation inter vivos in favor of a spouse or heirs.

Voting rights in all ordinary, extraordinary or special Shareholders' Meetings belong to the usufructuary.

Article 23 – Financial year

The financial year shall begin on January 1st and end on December 31st.

Article 24 – Allocation of profits

The difference between the proceeds and the expenses of the financial year, after provisions, constitutes the profits or the losses for the financial year. From the profits, minus previous losses, if any, shall be deducted the sum of 5% in order to create the legal reserves, until such legal reserves are at least equal to 1/10th of the share capital. Additional contributions to the legal reserves will be required if the legal reserves fall below, for any reason, that fraction.

The distributable profits shall be the profits for the financial year minus the previous losses and the above-mentioned deduction plus income carried over. The Shareholders' Meeting, on a proposal of the board, may decide to carry over some or all of the profits, to allocate them to reserve funds of whatever kind or to distribute them to the Shareholders as a dividend.

Besides, the Shareholders' Meeting may decide the distribution of sums deducted from the optional reserves, either as initial or additional dividends or as special distribution. In this case, the decision indicates clearly the items from which the said sums are deducted. However, the dividends are deducted first from the distributable profits of the financial year.

The ordinary Shareholders' Meeting may grant each Shareholder, for all or part of the dividend distributed or the interim dividend, the option to receive payment of the dividend or interim dividend in cash or in shares.

The Shareholders' Meeting or the Board of Directors, in the case of an interim dividend, fix the date from which the dividend shall be distributed.

Article 25 – Dissolution and liquidation

The Shareholders' Meeting, under the quorum and majority conditions laid down by law, may, at any time and for any reason whatsoever, decide the early dissolution of the Company.

When the Company reaches its due date, or in the event of early dissolution, the Shareholders' Meeting shall decide the manner of liquidation, appoint one or more liquidators and set their powers, their terms of office and their remuneration.

In the event of the death, resignation or indisposition of the liquidators the ordinary Shareholders' Meeting, called under the condition laid down by law, shall take steps to replace them.

The Shareholders' Meeting shall retain the same powers during liquidation as in the Company's course of business.

On completion of the liquidation the Shareholders shall be called to approve the liquidator's accounts and discharge him and to record the closing of the liquidation.

The liquidator(s) shall carry out their duties under the conditions laid down by law. In particular, they shall realize all the Company's movable and fixed assets, including by private treaty, and extinguish all its liabilities. They may also, with the authorization of the extraordinary Shareholders' Meeting, transfer the Company's entire assets or contribute them to another company, in particular by way of a merger.

Assets remaining after all liabilities have been extinguished shall first be used to pay Shareholders a sum equal to the paid up and non-redeemed capital. Any surplus shall constitute profits and shall be divided between all the Shareholders, subject to rights related to shares of different classes, if any.

Article 26 – Disputes

Any disputes that may arise during the Company's term or at its liquidation, whether between Shareholders and the Company or between Shareholders themselves where they concern Company matters, shall be subject to the jurisdiction of the competent courts.

Exhibit 12.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michel Combes, certify that:

1. I have reviewed this annual report on Form 20-F of Alcatel Lucent (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit and finance committee of the Company’s board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 24, 2015

/s/ Michel Combes
Michel Combes
Chief Executive Officer

Exhibit 12.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jean Raby, certify that:

1. I have reviewed this annual report on Form 20-F of Alcatel Lucent (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit and finance committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 24, 2015

/s/ Jean Raby
Jean Raby
Chief Financial and Legal Officer

Exhibit 13.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350

In connection with the accompanying Annual Report on Form 20-F of Alcatel-Lucent (the “Company”) for the annual period ended December 31, 2014 (the “Periodic Report”), I, Michel Combes, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Periodic Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”), and the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 24, 2015

/s/ Michel Combes
Michel Combes
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Periodic Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 13.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

In connection with the accompanying Annual Report on Form 20-F of Alcatel-Lucent (the "Company") for the annual period ended December 31, 2014 (the "Periodic Report"), I, Jean Raby, Chief Financial and Legal Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Periodic Report fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), and the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 24, 2015

/s/ Jean Raby
Jean Raby
Chief Financial and Legal Officer

The foregoing certification is being furnished solely to accompany the Periodic Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our reports dated March 19, 2015 relating to the consolidated financial statements of Alcatel Lucent and subsidiaries (the “Group”) and the effectiveness of the Group’s internal control over financial reporting, appearing in the Annual Report on Form 20-F of Alcatel Lucent for the year ended December 31, 2014 into:

i. Form S-8 Registration Statement (File No. 333-11092), filed with the SEC on November 4, 1999;

ii. Form S-8 Registration Statement (File No. 333-11388), filed with the SEC on January 24, 2000;

iii. Post-Effective Amendment No. 1 on Form S-8 to Form F-4 Registration Statement (File No. 333-93127), filed with the SEC on January 24, 2000;

iv. Form S-8 Registration Statement (File No. 333-12516), filed with the SEC on September 12, 2000;

v. Form S-8 Registration Statement (File No. 333-12864), filed with the SEC on November 15, 2000;

vi. Form S-8 Registration Statement (File No. 333-13410), filed with the SEC on April 27, 2001;

vii. Form S-8 Registration Statement (File No. 333-14016), filed with the SEC on October 17, 2001;

viii. Form S-8 Registration Statement (File No. 333-98075), filed with the SEC on August 14, 2002;

ix. Form S-8 Registration Statement (File No. 333-107271), filed with the SEC on July 23, 2003;

x. Form S-8 Registration Statement (File No. 333-108755), filed with the SEC on September 12, 2003;

xi. Form S-8 Registration Statement (File No. 333-119746), filed with the SEC on October 14, 2004;

xii. Form S-8 Registration Statement (File No. 333-121813), filed with the SEC on January 3, 2005;

xiii. Form S-8 Registration Statement (File No. 333-129288), filed with the SEC on October 28, 2005;

xiv. Form S-8 Registration Statement (File No. 333-139009), filed with the SEC on November 29, 2006;

xv. Form S-8 Registration Statement (File No. 333-143972), filed with the SEC on June 22, 2007;

xvi. Form S-8 Registration Statement (File No. 333-151348), filed with the SEC on June 2, 2008;

xvii. Form S-8 Registration Statement (File No. 333-160149), filed with the SEC on June 22, 2009;

xviii. Form S-8 Registration Statement (File No. 333-160148), filed with the SEC on June 22, 2009;

xix. Form S-8 Registration Statement (File No. 333-172901), filed with the SEC on March 17, 2011;

xx. Form S-8 Registration Statement (File No. 333-176118), filed with the SEC on August 5, 2011;

xxi. Form S-8 Registration Statement (File No. 333-178696), filed with the SEC on December 22, 2011;

xxii. Form S-8 Registration Statement (File No. 333-183016), filed with the SEC on August 2, 2012;

xxiii. Form S-8 Registration Statement (File No. 333-187560), filed with the SEC on March 27, 2013;

xxiv. Form S-8 Registration Statement (File No. 333- 193089), filed with the SEC on December 26, 2013; and

xxv. Form S-8 Registration Statement (File No. 333-201034) filed with the SEC on December 18, 2014.

/s/ Deloitte & Associés
Deloitte & Associés
Neuilly-sur-Seine, France
March 19, 2015

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

i. Form S-8 Registration Statement (File No. 333-11092), filed with the SEC on November 4, 1999;

ii. Form S-8 Registration Statement (File No. 333-11388), filed with the SEC on January 24, 2000;

iii. Post-Effective Amendment No. 1 on Form S-8 to Form F-4 Registration Statement (File No. 333-93127), filed with the SEC on January 24, 2000;

iv. Form S-8 Registration Statement (File No. 333-12516), filed with the SEC on September 12, 2000;

v. Form S-8 Registration Statement (File No. 333-12864), filed with the SEC on November 15, 2000;

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xxv. Form S-8 Registration Statement (File No. 333-201034) filed with the SEC on December 18, 2014.

of our reports dated March 19, 2015 with respect to the consolidated financial statements of Alcatel-Lucent and subsidiaries and the effectiveness of internal control over financial reporting of Alcatel-Lucent and subsidiaries, included in this Annual Report on Form 20-F of Alcatel-Lucent for the year ended December 31, 2014.

/s/ Ernst & Young et Autres
represented by Jean-François Ginies
Paris La-Défense, France
March 19, 2015

2014

Additional Information

ALCATEL LUCENT

Alcatel·Lucent

Table of contents

Explanatory Note

The information contained in this document, together with that set forth in the 2014 Annual Report on Form 20-F (the "2014 20-F") filed with the U.S Securities and Exchange Commission, both of which documents are in English, is equivalent to the information provided in French in the "Document de Référence" filed with the Autorité des Marchés Financiers on March, 20, 2015[(1)].

This document is a free translation from French to English of the information from the Document de Référence that is not included in the 2014 20-F. Should there be any difference between the French and the English versions, only the text in the French language shall be deemed authentic and considered as expressing the exact information published by Alcatel-Lucent.

(1) Except for certain financial information concerning the fourth quarter of 2014, which may be found in English on our website: www.alcatel-lucent.com, under the heading "Investor Relations" and then "Financial Date – February 6, 2015 Press release".

1

Key figures

1.1 Introduction

For purposes of this document, the term “Group” means the group comprised of Alcatel Lucent (hereafter “Alcatel-Lucent”) after the combination of Alcatel (hereafter “historical Alcatel” or “Alcatel”) and Lucent Technologies Inc. (hereafter “Lucent”), together with all their consolidated subsidiaries. The expression “the Company” means either Alcatel when referring to a period ending on or prior to November 30, 2006, or Alcatel-Lucent when referring to a later period.

1.2 Reported results and adjusted results

Reported results: in accordance with regulatory reporting requirements, reported results for the years 2012, 2013 and 2014 include the non-cash impacts from Purchase Price Allocation (“PPA”) entries following the business combination with Lucent.

Adjusted results: in addition to the reported results and in order to provide meaningful comparable information, Alcatel-Lucent is providing adjusted results that exclude the main non-cash impacts from PPA entries resulting from the Lucent business combination. These non-cash impacts are material to us and non-recurring due to the different amortization periods depending on the nature of the adjustments, as detailed in Note 3 to the consolidated financial statements included in our 2009 *document de référence*. Reported figures are not comparable with those of our main competitors and many other business players in our field of activity who have not undergone a similar business combination.

Condensed income statement for 2014

(in millions of euros, except per share data)	Adjusted	Reported
Revenues	13,178	13,178
Operating income (loss) (1)	**623**	**572**
Restructuring costs	(574)	(574)
Litigations	7	7
Gain (loss) on disposal of consolidated entities	20	20
Impairment of assets	-	-
Post-retirement benefit plan amendments	112	112
Income (loss) from operating activities	188	137
Net income - group share	**(86)**	**(118)**
Diluted earnings per share *(in euros)*	(0.04)	(0.04)
Diluted earnings per ADS *(in U.S.$)* (2)	(0.05)	(0.05)

(1) Operating income (loss) refers here to the 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) Earnings per ADS in U.S.$ have been calculated using the U.S. Federal Reserve Bank of New York noon Euro/U.S. dollar buying rate of U.S.$ 1.2101 on December 31, 2014.

Condensed adjusted income statement for 2014 and 2013

(in millions of euros, except per share data)	2014	2013 (1)
Revenues	13,178	13,813
Operating income (loss) (2)	**623**	**278**
Restructuring costs	(574)	(518)
Litigations	7	(2)
Gain (loss) on disposal of consolidated shares	20	2
Impairment of assets	–	(548)
Post-retirement benefit plan amendment	112	135
Income (loss) from operating activities	188	(653)
Net income - group share	**(86)**	**(1,250)**
Diluted earnings per share *(in euros)*	(0.04)	(0.51)
Diluted earnings per ADS *(in U.S.$)* (3)	(0.05)	(0.71)

(1) The figures are re-presented to reflect the impact of the disposal of our Enterprise business in 2014 (see note 9 to the consolidated financial statements).

(2) Operating income (loss) refers here to the 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.

(3) Earnings per ADS in U.S.$ have been calculated using the U.S. Federal Reserve Bank of New York noon Euro/U.S. dollar buying rate of U.S.$ 1.2101 as of December 31, 2014 and U.S.$ 1.3779 as of December 31, 2013.

Adjusted consolidated income statement - 2014

(unaudited) In millions of euros except per share data	Q1-2014			Q2-2014			Q3-2014			Q4-2014			2014		
	As reported	PPA	Adjusted	As reported	PPA	Adjusted	As reported	PPA	Adjusted	As reported	PPA	Adjusted	As reported	PPA	Adjusted
Revenues	**2,963**	**-**	**2,963**	**3,279**	**-**	**3,279**	**3,254**	**-**	**3,254**	**3,682**	**-**	**3,682**	**13,178**	**-**	**13,178**
Cost of sales	(2,007)	-	(2,007)	(2,211)	-	(2,211)	(2,149)	-	(2,149)	(2,403)	-	(2,403)	(8,770)	-	(8,770)
Gross Profit	**956**	**-**	**956**	**1,068**	**-**	**1,068**	**1,105**	**-**	**1,105**	**1,279**	**-**	**1,279**	**4,408**	**-**	**4,408**
Administrative and selling expenses [a]	(389)	8	(381)	(403)	7	(396)	(408)	8	(400)	(421)	4	(417)	(1,621)	27	(1,594)
Research and Development costs [b]	(547)	5	(542)	(543)	7	(536)	(541)	6	(535)	(584)	6	(578)	(2,215)	24	(2,191)
Operating income (loss) (1)	**20**	**13**	**33**	**122**	**14**	**136**	**156**	**14**	**170**	**274**	**10**	**284**	**572**	**51**	**623**
Restructuring costs	(67)	-	(67)	(275)	-	(275)	(75)	-	(75)	(157)	-	(157)	(574)	-	(574)
Impairment of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Post-retirement benefit plan amendment	-	-	-	-	-	-	103	-	103	9	-	9	112	-	112
Litigations	4	-	4	-	-	-	1	-	1	2	-	2	7	-	7
Gain/(loss) on disposal of consolidated entities	(16)	-	(16)	(3)	-	(3)	(1)	-	(1)	40	-	40	20	-	20
Income (loss) from operating activities	**(59)**	**13**	**(46)**	**(156)**	**14**	**(142)**	**184**	**14**	**198**	**168**	**10**	**178**	**137**	**51**	**188**
Financial result (net)	(82)	-	(82)	(190)	-	(190)	(128)	-	(128)	(102)	-	(102)	(502)	-	(502)
Share in net income (losses) of equity affiliates	2	-	2	5	-	5	1	-	1	7	-	7	15	-	15
Income tax benefit (expense) [c]	55	(5)	50	37	(6)	31	5	(5)	-	219	(3)	216	316	(19)	297
Income (loss) from continuing operations	**(84)**	**8**	**(76)**	**(304)**	**8**	**(296)**	**62**	**9**	**71**	**292**	**7**	**299**	**(34)**	**32**	**(2)**
Income (loss) from discontinued activities	16		16	3	-	3	(66)	-	(66)	(2)	-	(2)	(49)	-	(49)
NET INCOME (LOSS)	**(68)**	**8**	**(60)**	**(301)**	**8**	**(293)**	**(4)**	**9**	**5**	**290**	**7**	**297**	**(83)**	**32**	**(51)**
of which : Equity owners of the parent	**(73)**	**8**	**(65)**	**(298)**	**8**	**(290)**	**(18)**	**9**	**(9)**	**271**	**7**	**278**	**(118)**	**32**	**(86)**
Non-controlling interests	*5*	-	*5*	*(3)*	-	*(3)*	*14*	-	*14*	*19*	-	*19*	*35*	-	*35*
Earnings per share : basic	(0.03)	0.00	(0.02)	(0.11)	0.00	(0.11)	(0.01)	0.00	(0.00)	0.10	0.00	0.10	(0.04)	0.00	(0.04)
Earnings per share : diluted	(0.03)	0.00	(0.02)	(0.11)	0.00	(0.1)	(0.01)	0.00	(0.00)	0.08	0.00	0.08	(0.04)	0.00	(0.04)

(1) Income (loss) from operating activities before restructuring costs, impairment of assets, gain / (loss) on disposal of consolidated entities, litigations and post-retirement benefit plan amendment. It corresponds to the measure of the operating income (loss) of the segments (see note 5 to our consolidated financial statements at December 31, 2014).

PPA : Purchase Price Allocation entries related to Lucent business combination

Nature of PPA - non cash amortization charges included in Reported Accounts but excluded from Adjusted Accounts (see Note 5 to our Consolidated Financial Statements as of December 31, 2014)

These impacts are non-recurring due to the different amortization periods depending of the nature of the adjustments, as indicated hereafter:

(a) Amortization of intangibles assets - long term customer relationship (5-8 years)

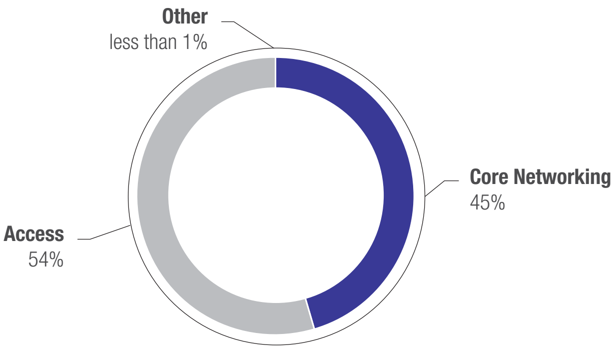
(b) Amortization of intangibles assets: Acquired technologies (5-10 years) and In Process R&D (5-7 years)

(c) Normative tax impact at 38% on above PPA adjustments excluding goodwill impairment

1.3 Breakdown of 2014 revenues by operating segment

The operations of the Group were organized in three operating segments in 2014 – Core Networking, Access and Other. The Core Networking segment includes our IP Routing, IP Transport and IP Platforms divisions. The Core Networking segment accounted for 45% of revenues (€6.0 billion) in 2014. The Access segment accounted for 54% of revenues (€7.2 billion) in 2014 and includes our Wireless and Fixed Access businesses as well as Managed Services and Licensing. Lastly, the Other segment was comprised of our government business through the first quarter of 2014 and accounted for less than 1% of revenues.

Breakdown of 2014 revenues by operating segment

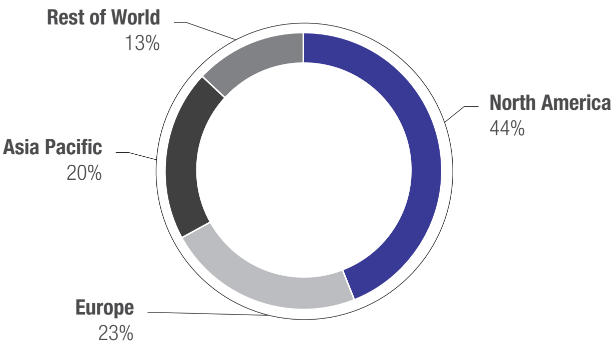


Alcatel-Lucent had revenues of €13.2 billion in 2014.

1.4 Breakdown of 2014 revenues by geographical area

North America was flat as a percent of total revenues in 2014 compared to 2013, while Asia Pacific increased and Europe and the Rest of World regions declined. This balanced geographical presence can limit the Group's exposure to the investment cycles of its service provider clients in a particular area, unless those cycles are synchronized across all regions.

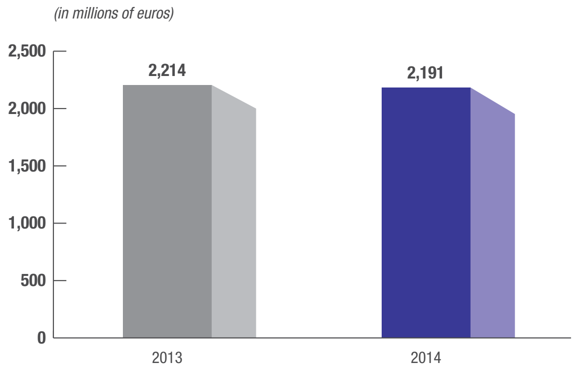
Breakdown of 2014 revenues by geographical area



1.5 Change in R&D expenses

In 2014, reported R&D expenses were €2,215 million after a net impact of capitalization of €(2) million of development expenses. Adjusted* R&D expenses were €2,191 million, or 16.6% of the Group's revenue (after capitalization of development expenses and excluding €24 million of amortization of acquired technologies and in-process R&D valued at fair value at the date of the Lucent business combination), a decrease of 1.0% from €2,214 million, or 16.0% of revenues in 2013.

Change in R&D expenses

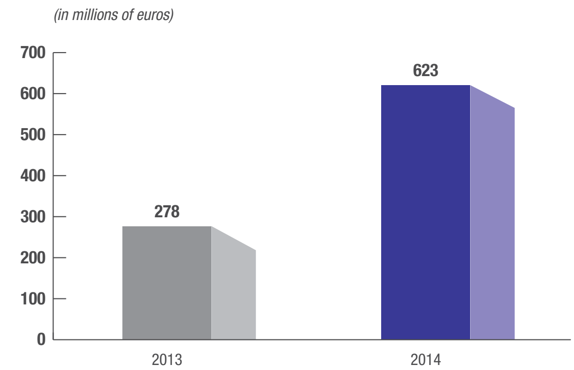


* *Excluding the impacts of the PPA entries in connection with the Lucent business combination.*

1.6 Adjusted operating income

Adjusted operating income, that is the income from operating activities before restructuring costs, gain on disposal of consolidated entities, impairment of assets, litigations and post-retirement benefit plan amendments, and excluding the negative non-cash impacts of the PPA entries in connection with the Lucent business combination, increased from an income of €278 million or 2.0% of revenues in 2013 to an income of €623 million or 4.7% of revenues in 2014. This increase reflects our efforts to reduce our fixed costs and improve the overall profitability across the Group.

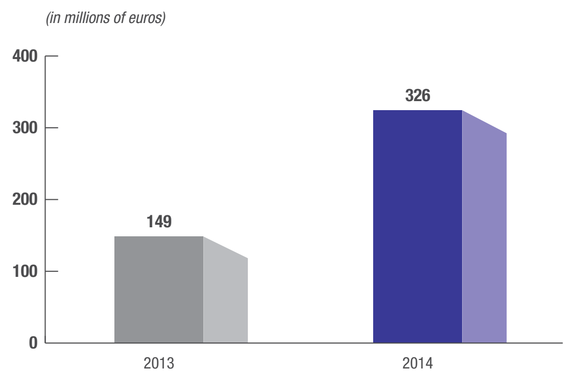
Adjusted operating income



1.7 Change in net cash position

On December 31, 2014, the Group had a net cash position of €326 million, which is an increase of €177 million compared to the net cash position of €149 million at the end of 2013. The improvement in net cash primarily reflects the work done to strengthen our balance sheet in addition to the improvement in overall levels of free cash flow.

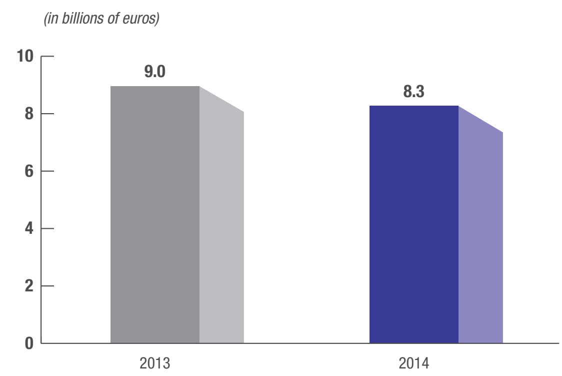
Change in net cash position



1.8 Change in market capitalization

After a strong performance in 2013, Alcatel-Lucent's market capitalization witnessed some declines through the course of the first half of 2014 which was partially offset by a rebound in share price in the latter half of the year. Global financial markets showed mixed trends in 2014, as evidenced by US equity markets, which showed strong growth, compared to those in Europe, such as CAC-40, a composite of the top 40 Euronext listed companies in France, which ended the year with a slight decline.

Change in market capitalization



Parent company statutory accounts

2

2.1 Activities of the parent company

Alcatel-Lucent, the Group's parent company, has no operating activity. It is the direct and indirect holding company for all Group companies.

Its principal missions are as follows:

- centralized treasury management and granting of guarantees to subsidiaries in respect of certain bank borrowings and operating contracts;
- clearing entity of the new research and development and intellectual property costs recharges mechanism;
- management of the French tax group.

2.2 Statutory accounts of Alcatel-Lucent SA as of December 31, 2014

Key figures

The financial statements for the year ended December 31, 2014 show net gain of 890.1 million euros compared to 1,909.6 million euros net gain the previous year.

Appropriation of net income and dividend distribution

The 2014 net gain of Alcatel-Lucent, the parent company, totaled €890,085,687.00.

No dividend will be proposed to the Annual Shareholders' Meeting approving the 2014 accounts.

The following appropriation will therefore be proposed at the Annual Shareholders' Meeting approving the 2014 accounts:

Available for distribution	*(in euros)*
Income (loss) of the year	890,085,687.00
Retained earnings brought forward	(13,196,912,990.36)
TOTAL	**(12,306,827,303.36)**
Appropriation	
Transfer to legal reserve	-
Proposed dividend	-
Retained earnings	(12,306,827,303.36)
TOTAL	**(12,306,827,303.36)**

In accordance with French legal requirements, dividends per share for the past three years are detailed in the following table:

	2014 (proposed)	2013	2012	2011
Number of shares eligible for dividends	2,820,432,270	2,808,554,197	2,326,563,826	2,325,383,328
Par value	0.05	0.05	2.00	2.00
Net dividend per share	-	-	-	-

2

Parent company income statements

(in millions of euros)	Notes	2014	2013	2012
Net sales		370.5	348.7	354.9
Other revenues		39.7	57.5	12.0
Operating revenues		**410.2**	**406.2**	**366.9**
Purchases of services and other expenses		(406.1)	(401.1)	(389.9)
Taxes and similar payments, excluding income tax		(4.3)	(2.2)	(1.9)
Payroll costs		(33.6)	(15.2)	(5.9)
Operating expenses		**(444.0)**	**(418.5)**	**(397.7)**
Operating income (loss)	**(3)**	**(33.8)**	**(12.3)**	**(30.8)**
Revenues from investments in subsidiaries and associates	(4)	412.0	12.0	69.7
Interest income and similar revenues		334.4	205.2	258.8
Interest expense and similar expenses		(229.9)	(283.8)	(215.6)
Net change in financial provisions and amortization of bond premiums	(3)	459.8	2,095.1	(2,988.4)
Other financial income (loss)		11.6	6.5	(6.4)
Financial income (loss)	**(3)**	**987.9**	**2,035.0**	**(2,881.9)**
Income (loss) before non-recurring items and income tax	**(3)**	**954.1**	**2,022.7**	**(2,912.7)**
Non-recurring revenues		1.0	7.6	-
Non-recurring expenses		(111.2)	(145.7)	(10.1)
Non-recurring income (loss)	**(3)**	**(110.2)**	**(138.1)**	**(10.1)**
Income tax	(3)/(5)	46.2	25.0	28.1
NET INCOME (LOSS) AFTER TAX		**890.1**	**1,909.6**	**(2,894.7)**

Parent company balance sheets at December 31

ASSETS *(in millions of euros)*	Notes	2014 Gross value	2014 Depreciation	2014 Net value	2013 Net value	2012 Net value
Intangible assets	**(7)**	**176.5**	**(160.0)**	**16.5**	**16.5**	**16.6**
Investments in subsidiaries and associates	(8)	39,448.4	(30,172.9)	9,275.5	8,888.9	6,947.1
Receivables from subsidiaries and associates	(9)	0.6	(0.6)	-	-	-
Other financial assets	(9)	8,702.8	(226.8)	8,476.0	9,044.3	7,099.0
Investments and other non-current assets		**48,151.8**	**(30,400.3)**	**17,751.5**	**17,933.2**	**14,046.1**
TOTAL NON-CURRENT ASSETS		**48,328.3**	**(30,560.3)**	**17,768.0**	**17,949.7**	**14,062.7**
Accounts receivable and other current assets	(15)/(16)	685.9	(0.2)	685.7	690.2	949.9
Marketable securities	(10)	1,070.4	-	1,070.4	1,679.4	1,370.1
Cash	(10)	2,543.0	-	2,543.0	2,643.0	1,452.6
TOTAL CURRENT ASSETS		**4,299.3**	**(0.2)**	**4,299.1**	**5,012.6**	**3,772.6**
Prepayments and deferred charges		39.9	-	39.9	41.3	32.7
TOTAL ASSETS	**(6)**	**52,667,5**	**(30,560.5)**	**22,107.0**	**23,003.6**	**17,868.0**

LIABILITIES AND STOCKHOLDERS' EQUITY *(in millions of euros)*	Notes	2014 Before appropriation	2014 After appropriation [1]	2013 After appropriation	2012 After appropriation
Capital stock		141.0	141.0	140.4	4,653.1
Additional paid-in capital		20,928.1	20,928.1	20,914.0	15,411.5
Reserves		2,237.9	2,237.9	2,237.9	2,237.9
Retained earnings		(13,196.9)	(12,306.8)	(13,196.9)	(15,106.5)
Net income (loss) for the year		890.1	-	-	-
Shareholders' equity	**(12)**	**11,000.2**	**11,000.2**	**10,095.4**	**7,196.0**
Reserves for liabilities and charges	**(13)/(19)**	**38.2**	**38.2**	**59.5**	**94.2**
Bonds convertible into new or existing shares ("OCEANE")	(14)/(15)/(16)	1,777.7	1,777.7	628.9	1,000.0
Other bonds and notes issued	(14)/(15)/(16)	192.1	192.1	698.5	962.0
Bank borrowings and overdrafts	(15)/(16)	3.8	3.8	-	-
Miscellaneous borrowings	(15)/(16)	1,414.1	1,414.1	1,310.3	639.3
Financial debt		**3,387.7**	**3,387.7**	**2,637.7**	**2,601.3**
Taxation and social security	(15)/(16)	8.2	8.2	11.0	10.8
Other liabilities	(15)/(16)	7,669.1	7,669.1	10,191.4	7,961.6
Liabilities		**7,677.3**	**7,677.3**	**10,202.4**	**7,972.4**
Unrealized foreign exchange gain		3.6	3.6	8.6	4.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**22,107.0**	**22,107.0**	**23,003.6**	**17,868.0**

(1) Proposed.

Parent company statements of changes in financial position (after proposed appropriation of the 2014 net income)

(in millions of euros)	2014	2013	2012
Sources of funds			
Net income (loss)	890.1	1,909.6	(2,894.7)
Depreciation and amortization	-	0.2	0.1
Changes in valuation allowances and other reserves, net *(Notes 8, 9 and 13)*	(481.5)	(2,129.9)	2,990.4
Net (gain)/loss on disposal of non-current assets [1]	83.3	97.2	0.1
Funds provided (used) by operations	**491.9**	**(122.9)**	**95.9**
Increase in capital stock *(Note 12)*	14.7	989.8	-
Increase in other bonds *(Note 14)*	1,148.8	628.9	-
Increase in long-term debt *(Note 15)*	121.3	702.4	-
Property, plant and equipment sold	-	-	-
Investments sold [1]	15.9	18.2	-
Other sources of funds	-	-	-
TOTAL SOURCES	**1,792.6**	**2,216.4**	**95.9**
Application of funds			
Increase in property, plant, equipment and intangible assets	-	-	-
Increase in investments	-	-	4.0
Dividend payable	-	-	-
Conversion of bonds into shares	-	47.7	-
Other application of funds	(32.9)	3,121.8	1,686.2
TOTAL APPLICATION	**(32.9)**	**3,169.5**	**1,690.2**
Analysis of changes in working capital			
Accounts receivable and other current assets	(4.3)	(60.8)	(68.5)
Other liabilities	(8.0)	(114.4)	(79.2)
Cash and cash equivalents:			
● short-term financial debt [2]	2,546.7	(2,277.6)	(1,890.5)
● cash	(99.9)	1,190.4	50.9
● marketable securities	(609.9)	309.3	393.0
Increase (decrease) in working capital	**1,825.5**	**(953.1)**	**(1,594.3)**

(1) Investments sold are essentially Alcatel-Lucent shares held for €15.8 million.

(2) Group's Treasury Convention with subsidiaries +€2,533.1 million.

2.3 Notes to the annual statutory accounts

Note 1 Accounting policies

The annual financial statements have been prepared in accordance with French accounting rules and principles (as set forth in the French general chart of accounts CRC-regulation 99-03). The following accounting principles are described below:

a/ Intangible assets

Intangible assets are recorded at acquisition cost and mainly include intellectual property rights amortized over a straight-line basis over five years after acquisition. An impairment loss is recognized if the current value is less than the gross value.

b/ Financial assets

b1/ Investments in subsidiaries and associates:

Investments in subsidiaries and associates are recorded at acquisition cost, excluding incidental expenses, subject to any revaluation in accordance with French law.

When the carrying value of such investments is less than their gross value, a valuation allowance is set up for the difference.

Carrying values are based on:

- value in use of the investment, in respect of subsidiaries and associates held for the long-term. Value in use is determined case by case based on the recoverable value of the underlying assets, re-evaluation of net assets, estimated market values, and, for listed companies, the stock market value;
- estimated market value, in respect of associates that could be sold if market conditions proved favorable, and, in respect of listed companies, estimated market value based on the average stock market prices for the last month of the accounting period.

As required, when the carrying value of the investment is negative, in addition to the valuation allowance set up, other assets are depreciated and, if necessary, a general risk reserve is recorded.

b2/ Long-term receivables from investments:

These are long-term loans granted to companies held directly or indirectly by the company. They are recorded at their nominal value. They are distinguished from current accounts received or granted to subsidiaries, used for daily cash management. An impairment loss is recognized in the event of risk of non recovery.

b3/ Treasury stock

Alcatel-Lucent shares owned by the parent company do not fulfill any particular classification criteria and, therefore, are recorded as other financial assets in the balance sheet.

Their carrying value is calculated at year-end on the basis of the average stock market prices for the last month of the accounting period. If necessary, a valuation allowance is recorded.

c/ Marketable securities

Marketable securities are recorded at the lower of cost and net realizable value (either average market price for the last month of the period, or period-end sales value, or estimated market value).

d/ Foreign currency transactions

Foreign currency revenues and expenses are recorded at the equivalent euro value at the date of the transaction. Cash, short term financial assets and debts and related off balance sheet financial instruments denominated in foreign currency are translated at period-end rates of exchange. The resulting currency translation adjustments are shown in the income statement. A reserve for potential foreign exchange losses is set up for unrealized foreign exchange losses that are not offset by corresponding unrealized foreign exchange gains, unless related financial instruments are used that qualify as a hedge and are such that no significant loss will arise when they mature.

e/ Interest rate derivatives

Gains and losses on these contracts are calculated and recognized to match the recognition of revenues and expenses on the hedged debt.

f/ Accounting for liabilities

In accordance with the *"Comité de Réglementation Comptable"* CRC regulation n° 2000-06 dated December 7, 2000 on accounting for liabilities, Alcatel-Lucent records a liability only when it has a present obligation towards a third party and that it is probable or certain that the obligation will result in an outflow of resources without at least an offsetting equivalent inflow of resources. The obligation must exist at the period end in order for a provision to be recognized.

g/ Bonds issued

Bonds issued at a premium or with a reimbursement premium are recorded in liabilities for their total value, including the premiums. The contra-entry for such premiums is recorded in the balance sheet as an asset. The premiums are amortized on a straight-line basis over the life of the corresponding bonds. This amortization is accelerated in case of partial buy-backs of issued bonds.

The fees and expenses linked to the issuance of bonds are recorded in the income statement on a straight-line basis over the life of the corresponding bonds.

h/ Taxes

Alcatel-Lucent and its subsidiaries, held directly or indirectly more than 95%, form a tax group as defined in Article 223 A of the French General Tax Code. Each company belonging to this French tax group calculates its income tax charge on the basis of its own tax results for the year. Alcatel-Lucent, as parent company of the French tax group, takes into account its own results and the tax consolidation entries when determining the tax group's taxable result.

The income tax charge or income recorded in the income statement by Alcatel-Lucent consists of the following items:

- the difference between the y-1 income tax receivable owed by tax profitable subsidiaries (whose taxable income, including the offsetting of carry forward tax losses, has been determined on a stand-alone basis) and the payable booked against the Treasury with respect to the income tax due by the French tax group headed by Alcatel-Lucent for y-1;
- potential adjustments to prior years' tax charges;
- potential reserves for tax risks.

i/ Pensions

As from January 1, 2004, Alcatel-Lucent applies the *"Conseil national de la comptabilité"*'s regulation no. 2003-R01 on pensions and other long-term benefits.

Actuarial gains and losses due to experience adjustments and effects of changes in actuarial assumptions existing at December 31, 2003 were transferred to shareholders' equity, as allowed by the *"Conseil national de la comptabilité"*'s press release dated July 22, 2004.

Actuarial gains and losses computed between January 1, 2004 and December 31, 2006 were recorded using the "corridor" method. Consequently they were recorded as an adjustment to the pension reserve and they are amortized if they exceed a given amount. As from 2007, all actuarial gains and losses are recognized in the income statement relating to the financial year as incurred.

The 2013-02 recommendation put in place on the 7th of November 2013 by the French Accounting Principles Authority was applied, by anticipation, on the financial year beginning the 1st of January 2013. The resulting changes from this first application were treated in accordance with the norms relating to changes in accounting methods. The application of this recommendation consequently leads to immediate income statement recognition of the amendments during their period of occurrence. The expenses budgeted for the assets value are now calculated using the discount rate instead of the assets' expected rate of return. Alcatel has also confirmed its application of the immediate recognition of actuarial gains and losses on the income statement. This change in policy has no impact on the opening of prior accounting periods.

Note 2 2014 Major events

Alcatel-Lucent pursued its activity of parent company of the Group and year 2014 was marked by the following items:

- Move of the head office from Paris following Shift Plan reduction of costs: registered office is located at 148/152 Route de la Reine - 92100 Boulogne-Billancourt - France since May 19, 2014;
- Restructuring of the debt (See Note 14):
  - Repurchase of Senior Notes for €232.7 million and final reimbursement of Senior Notes 2014 for €273.7 million;
  - New issuing of Oceane for €1,148 million.

Note 3 Income statement analysis

Net loss is analyzed below:

(in millions of euros)	2014	2013
Operating revenues	410.2	406.2
Operating expenses	(444.0)	(418.5)
Operating income (loss)	**(33.8)**	**(12.3)**
Financial income (loss)	**987.9**	**2,035.0**
Income (loss) before non-recurring items and income tax	**954.1**	**2,022.7**
Non-recurring items	(110.2)	(138.1)
Income tax	46.2	25.0
NET INCOME (LOSS) AFTER TAX	**890.1**	**1,909.6**

Operating activities

Revenues increased by 6.2% and stand at €370.5 million (compared to €348.7 million in 2013).

Operating revenues amounted to €410.2 million including a €23.6 million release on the reserve pension.

The increase of operating expenses for €25.5 million mainly related to the payment of pension for €23.2 million.

Financial income/(loss) - Non-recurring items

Financial gain was €987.9 million in 2014 compared to a gain of €2,035.0 million in 2013 essentially due to the dividends received and the change in the valuation of investments in subsidiaries.

The loss on non-recurring items of €110.2 million was related to the repurchased of debt and the disposal of instruments; the release of financial reserve on these operations is amounted correlatively to €71.8 million.

Net change in financial reserves and depreciation

The net change in financial reserves and depreciation resulted in a gain of €459.8 million in 2014 compared to a gain of €2,095.1 million in 2013:

		2014			2013		
(in millions of euros)		(Increase)	Write-back	Net movement	(Increase)	Write-back	Net movement
Depreciation of investments in subsidiaries and associates	(Note 8)	(316.8)	703.4	386.6	(11.5)	1,953.3	1,941.8
Depreciation of other financial investments and other financial assets	(Note 9)	-	73.6	73.6	-	153.4	153.4
Depreciation of marketable securities		-	-	-	-	-	-
Reserves for financial risks		**(0.4)**	**-**	**(0.4)**	**(0.1)**	**-**	**(0.1)**
Depreciation other current assets	(Note 15)	-	-	-	-	-	-
Depreciation L.T. loans	(Note 9)	-	-	-	-	-	-
Others risks	(Note 13)	(0.2)	-	(0.2)	-	-	-
Interest rate risk & Others	(Note 13)	(0.2)	-	(0.2)	(0.1)	-	(0.1)
Amortization of premiums on bonds		-	-	-	-	-	-
TOTAL		**(317.2)**	**777.0**	**459.8**	**(11.6)**	**2,106.7**	**2,095.1**

Depreciation of investments in subsidiaries

The 2014 net gain resulted from the re-assessment of the inventory values of each investment. (See valuation exercise in Note 8).

Depreciation of other financial investments

The release of €73.6 million of other financial investments related mainly to:

- Sales of treasury stock: €77.2 million,
- Depreciation in the valuation of treasury stock recorded at December average stock market prices: €5.3 million.

Depreciation of marketable securities

No movement was recorded in 2014.

Reserves for financial risks

€0.2 million was recorded regarding the valuation of receivable in US dollars at December 31, 2014.

Dividends

Dividends received from subsidiaries increased from €12.0 million in 2013 to €412.0 million in 2014 (see Note 4).

Financial interest

Net income from financial products and interest was a gain of €104.5 million compared to a loss of €78.6 million in 2013, which was mainly due to:

- the beneficial effects of the debt restructuring (€38 million),
- the decrease of Alcatel-Lucent USA deposits (€25 million),
- the update of the remuneration conditions of intercompany loans and borrowings under the cash management agreement (€103 million).

Income tax

Income tax represented a net benefit of €46.2 million of which: an income tax benefit of €37.2 million generated by the French tax group (€21.9 million in 2013 and €15.3 million concerning a regularization of previous years) and a research credit tax for 2013 of €9.0 million (see Note 5).

Note 4 Revenues from investments in subsidiaries and associates

(in millions of euros)	2014	2013
Subsidiaries		
Electro Banque	410.8	10.6
Alcatel-Lucent Norway	1.2	1.4
TOTAL	412.0	12.0

Note 5 Income tax

French tax group

14 French subsidiaries belonged to the French tax group (*"intégration fiscale"*) in 2014 (17 in 2013). Main subsidiaries belonging to the French tax group are indicated in the investment portfolio at December 31, 2014 (see Note 23).

Tax benefit (charge) breakdown

The tax benefit is analyzed as follows:

	2014		2013	
(in millions of euros)	Pre-tax amount	Tax benefit (charge)	Pre-tax amount	Tax benefit (charge)
Operating income (loss)	(33.8)	9.0	(12.3)	9.4
Financial income (loss)	987.9	-	2,035.0	-
Income (loss) before non-recurring items and income tax	**954.1**	**9.0**	**2,022.7**	**9.4**
Non-recurring items	(110.2)	15.3	(138.1)	0.2
French tax Group	-	21.9	-	15.4
Total tax benefit (charge)	46.2	46.2	25.0	25.0
NET INCOME (LOSS) AFTER TAX	**890.1**	**-**	**1,909.6**	**-**

Note: non tax-deductible expenses defined in Article 39.4 of the French General Tax Code amounted €30.0 thousand in 2014 for tax expenses of €10.8 thousand.

Note 6 Balance sheet

Total assets decreased to €22,107 million after the valuation of investments in subsidiaries at the end of 2014.

Note 7 Intangible assets

		Gross value		
(in millions of euros)	12/31/2013	Increases (1)	Decreases	12/31/2014
Goodwill	39.6	-	-	39.6
Patents, trademarks, intellectual property rights	143.4	-	(6.6)	136.9
INTANGIBLE ASSETS	**183.0**	**-**	**(6.6)**	**176.5**

		Amortization and depreciation		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Goodwill	(25.1)	-	-	(25.1)
Patents, trademarks, intellectual property rights	(141.4)	-	6.6	(134.9)
INTANGIBLE ASSETS	**(166.5)**	**-**	**6.6**	**(160.0)**

		Net value		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Goodwill	14.5	-	-	14.5
Patents, trademarks, intellectual property rights	2.0	-	-	2.0
INTANGIBLE ASSETS	**16.5**	**-**	**-**	**16.5**

(1) transfer

Note 8 Investments in subsidiaries and associates

		Gross value		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Subsidiaries	39,072.7	-	-	39,072.7
Associates	377.6	-	(1.9)	375.7
TOTAL	**39,450.2**	**-**	**(1.9)**	**39,448.4**

		Depreciation		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Subsidiaries	(30,193.5)	(316.8)	703.4	(29,806.9)
Associates	(367,8)	-	1.8	(366.0)
TOTAL	**(30,561.3)**	**(316.8)**	**705.2**	**(30,172.9)**

		Net value		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Subsidiaries	8,879.2	(316.8)	703.4	9,265.8
Associates	9.8	-	(0.1)	9.7
TOTAL	**8,889.0**	**(316.8)**	**703.3**	**9,275.5**

Gross value

No change occurred in 2014.

Reserves for depreciation

Changes in reserves for depreciation of investments in subsidiaries and associates during the year were the following:

Increase in reserves for depreciation related to Electro Banque (€287.7million), Coralec (€21.5 million) and Alcatel-Lucent International (€7.6 million). Release of depreciations related to Alcatel-Lucent Participations (€681.4 million), Alcatel-Lucent Submarine Networks (€7.6 million) and Alcatel-Lucent Norway (€14.4 million).

Reserves for depreciation related to Alcatel-Lucent Participations, Coralec and Alcatel-Lucent Submarine Networks were based on the recoverable value of the Alcatel-Lucent Group, estimated on the basis of the enterprise values of the different business divisions. The approach consists in calculating for each business division a fair value excluding debt and taxes, based on discounted future cash flows for the period 2015 to 2019 and on a discounted terminal value in 2019. The discount rate used of 9.80% is based on the weighted average cost of the Group's capital. The sum of these recoverable values, adjusted for consolidated net cash and other balance sheet items, such as tax assets and liabilities, financial assets and other non-operating assets and liabilities, constitutes the fair value of the Group.

The enterprise value is then allocated between the participating interests held by Alcatel-Lucent Participations, and the other subsidiaries of which Alcatel-Lucent Submarine Networks. The value obtained for each entity is then compared to the historical book value of each investment and, where necessary, a reserve for depreciation is recorded.

In the current global economic environment, the degree of volatility and subsequent lack of visibility remain high as of December 31, 2014. Subsequent facts and circumstances could therefore lead to changes in the estimates used to determine the recoverable value of each business division and therefore the valuation of the investments portfolio.

Note 9 Receivables from subsidiaries and associates and other financial assets

The changes during the year were as follows:

		Gross value		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Alcatel-Lucent shares held	357.1	-	(97.3)	259.8
Long-term loans to subsidiaries	8,985.8	-	(542.8)	8,443.0
Other financial assets	0.7	-	-	0.7
TOTAL	**9,343.6**	**-**	**(640.1)**	**8,703.5**

		Depreciation		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Alcatel-Lucent shares held	(294.5)	-	71.8	(222.7)
Long-term loans to subsidiaries	(4.2)	-	-	(4.2)
Other financial assets	(0.6)	-	-	(0.6)
TOTAL	**(299.3)**	**-**	**71.8**	**(227.5)**

		Net value		
(in millions of euros)	12/31/2013	Increases	Decreases	12/31/2014
Alcatel-Lucent shares held	62.6	-	(25.5)	37.1
Long-term loans to subsidiaries	8,981.6	-	(542.8)	8,438.8
Other financial assets	0.1	-	-	0.1
TOTAL	**9,044.3**	**-**	**(568.3)**	**8,476.0**

9.1 Long-term loans to subsidiaries

Loans granted to Alcatel-Lucent Participations decreased €539 million during the financial year.

9.2 Treasury stocks

There was disposal of treasury stocks in 2014 for €97.4 million. The market value of Alcatel-Lucent shares owned by the company amounts to €37.1 million, based on the average stock market prices for December 2014 (€62.6 million at December 31, 2013).

Note 10 Marketable securities, cash and short-term financial debt

The net amounts of short-term financial assets and debts (including short-term advances to or from subsidiaries in the context of the Group's Treasury Convention, which appear in the balance sheet in "Accounts receivable and other current assets" or "Other liabilities") were as follows:

(in millions of euros)	2014	2013
Cash	2,543.0	2,643.0
Group's Treasury Convention with subsidiaries (see note 15)	389.6	394.3
Total cash and cash equivalents (1)	2,932.6	3,037.3
Marketable securities (2)	1,070.4	1,679.4
Short-term part of bonds	-	-
TOTAL SHORT-TERM FINANCIAL ASSETS	**4,003.0**	**4,716.7**
Short-term bonds	-	(273.7)
Short-term bank loans and overdrafts	-	-
Other short-term financial debt	(31.5)	(48.9)
Group's Treasury Convention with subsidiaries (see note 15)	(7,233.5)	(9,766.6)
TOTAL SHORT-TERM FINANCIAL DEBT (3)	**(7,265.1)**	**(10,089.2)**
TOTAL	**(3,262.1)**	**(5,372.5)**

(1) Including bank deposits and short-term advances to subsidiaries resulting from the Group's Treasury Convention.
(2) Including monetary UCITS
(3) Including bank loans and overdrafts and short-term advances from subsidiaries resulting from the Group's Treasury Convention.

The change in Alcatel-Lucent's short-term financial assets and debts reflects a large volume of transactions undertaken by the parent company on behalf of its subsidiaries.

Note 11 Market-related exposures

Currency risks and interest rate risks are analyzed below.

Currency risks

As of December 31, 2014, off-balance sheet financial instruments, held for hedging purposes, were as follows:

	Purchaser/Lender			
	Principal amount			
(in millions of euros)	Within one year	Between 1 and 5 years	Over 5 years	Fair value
Forward exchange contracts	947.9	-	-	14.5
Forward exchange swaps	3,881.4	-	-	78.5
Cross currency swaps	-	411.8	-	49.0
Currency option contracts;				
• Call	-	-	-	-
• Put	28.9	-	-	0.5

	Seller/Borrower			
	Principal amount			
(in millions of euros)	Within one year	Between 1 and 5 years	Over 5 years	Fair value
Forward exchange contracts	(944.0)	-	-	(14.3)
Forward exchange swaps	(1,255.5)	-	-	(15.3)
Cross currency swaps	-	-	-	-
Currency option contracts;				
• Call	-	-	-	-
• Put	(28.5)	-	-	(0.5)

Interest rate risks

At December 31, 2014, off balance sheet financial instruments held to manage interest rate risks were as follows:

	Principal amount			
(in millions of euros)	Within one year	Between 1 and 5 years	Over 5 years	Fair value
Interest rate swaps:	**-**	**-**	**-**	**-**
Pay fixed rate	-	-	-	-
Pay floating rate	-	-	-	-

Liquidity risk and credit rating

As of February 5, 2015, Alcatel-Lucent credit ratings were as follows:

Rating Agency	Corporate Family rating	Long-term Debt	Short-term Debt	Outlook	Last update of CFR/Debt	Last update of the outlook
Moody's	B3	B3/Caa1	Not Prime	Positive	Dec 4, 2012/Dec 19, 2013	Nov 17, 2014
Standard & Poor's	B	B	B	Stable	August 18,2014	August 18, 2014

Rating clauses affecting Alcatel debt at December 31, 2014

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 outstanding bonds do not contain clauses that could trigger an accelerated repayment in the event of a lowering of its credit ratings.

Liquidity risk on the financial debt

As of December 31, 2014, the Group considers that its available marketable securities, cash and cash equivalents and the available syndicated bank credit facility are sufficient to cover its operating expenses and capital expenditures and its financial debt requirements for the next twelve months.

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 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.

The syndicated bank facility signed in April 5, 2007 was cancelled following the closing of the Alcatel-Lucent USA Inc. Senior Secured Facility in January 2013.

Note 12 Shareholders' equity

The changes in shareholders' equity during the year 2014 were as follows:

(in millions of euros)	Number of shares outstanding	Capital	Additional Paid-in capital	Legal reserve	Statutory reserves	Other reserves	Retained earnings	Net income for the period	Total share-holders' equity
AT DECEMBER 31, 2013 BEFORE APPROPRIATION	**2,808,554,197**	**140.4**	**20,914.0**	**369.6**	**1,673.3**	**195.0**	**(15,106.5)**	**1,909.6**	**10,095.4**
Appropriation of net income (loss)	-	-	-	-	-	-	1,909.6	(1,909.6)	-
Increases in capital:									
• conversion of convertible bonds	3,890	-	-	-	-	-	-	-	-
• subscriptions	4,435,355	0.2	(0.2)	-	-	-	-	-	-
• stock options exercised	7,438,828	0.4	14.3	-	-	-	-	-	14.7
Capital reduction									
Net income (loss) for the year	-	-	-	-	-	-	-	890.1	890.1
At December 31, 2014 before appropriation	**2,820,432,270**	**141.0**	**20,928,1**	**369.6**	**1,673.3**	**195.0**	**(13,196.9)**	**890.1**	**11,000.2**
Appropriation of net income (loss) (proposal)	-	-	-	-	-	-	890.1	(890.1)	-
Dividend to be distributed relating to 2014 (proposal)	-	-	-	-	-	-	-	-	-
AT DECEMBER 31, 2014 AFTER APPROPRIATION (PROPOSAL)	**2,820,432,270**	**141.0**	**20,928,1**	**369.6**	**1,673.3**	**195.0**	**(12,306.8)**	**-**	**11,000.2**

Capital stock, consisting of 2,820,432,270 ordinary shares of nominal value €0.05, amounted to €141.0 million at the end of 2014.

The distributable income comprises the net income of the year reduced by any losses brought forward and by any legal or statutory appropriations to reserves and increased by any positive retained earnings. In addition, the Shareholders' Meeting is allowed to decide the distribution of available reserves and additional paid–in capital. However, the legal reserve, unavailable reserves resulting from the enforcement of laws or company by-laws and revaluation reserves cannot be distributed. In view of the above-mentioned proposed appropriation for 2014, distributable reserves amounted to €10,489.6 million.

Note 13 Reserves for liabilities and charges

The movements on reserves for liabilities and charges in 2014 were as follows:

(in millions of euros)	12/31/2013	Increases	(Write-backs)	(Utilizations)	12/31/2014
Reserve for unrealized foreign exchange losses	0.1	0.2	-	-	0.3
Reserve for financial risks (Note 4)	-	-	-	-	-
Reserves for litigation, guarantees given on investments sold and other reserves	21.0	0.2	(0.3)	(16.5)*	4.4*
Reserves for pensions and retirement indemnities (Note 17)	38.4	18.6	-	(23.5)	33.5
Reserves for risks relating to subsidiaries	-	-	-	-	-
TOTAL	**59.5**	**19.0**	**(0.3)**	**(40.0)**	**38.2**
Income statement impact:					
• operating income (loss)		18.6	(0.3)	(26.7)	
• financial income (loss)		0.4	-	-	
• non-recurring income (loss)		-	-	(13.3)	

* *Alcatel-Lucent paid U.S.$17 million termination in civil fines and disgorgement to the SEC in June 2014 with regard to the FCPA investigations and the acceptance of settlement agreement with the DOJ by the court.*

At December 31, 2014, the €4.4 million of Reserves for litigation, guarantees given in investment sold and other reserves consisted essentially of €3.2 million Saft liability guarantee.

Note 14 Bonds

At December 31, 2014, outstanding Alcatel-Lucent bonds amounted to €1,969.8 million compared to €1,327.4 million at December 31, 2013. These amounts are analyzed as follows:

(in millions of euros)	12/31/2013	Conversion of bonds into shares	Repayment	New issuances	12/31/2014
Convertible bonds					
• 6.375 % - €274 M due April 2014	273.7	-	(273.7)	-	-
• OCEANE 4.25% - €629 M due July 2018	628.9	-	-	-	628.9
• Senior Notes 8.50% (1) - €192M (2) due January 2016	424.8	-	(232.7)	-	192.1
• OCEANE 0.00% - €688 M due 2019	-	-	-	688.5	688.5
• OCEANE 0.125% - €460 M due 2020	-	-	-	460.3	460.3
TOTAL	**1,327.4**	**-**	**(506.4)**	**1,148.8**	**1,969.8**

(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, see below.

Changes in 2014:

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

During the fourth quarter of 2014, a €2,8 million nominal amount of Senior Notes 2016 was bought back and cancelled for a cash amount of €3,1 million excluding accrued interests.

As a result, the outstanding aggregate nominal amount of Senior Notes 2016 is €192 million.

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 €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 interests.

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.

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.

Note 15 Analysis by maturity date of liabilities and receivables and other current assets

(in millions of euros)	Amount at 12/31/2014	Less than one year	1-5 years	After 5 years	Out of which accruals
Financial debt					
• convertible bonds (OCEANE)	1,777.7	-	1,317.4	460.3	-
• other bonds	192.1	-	192.1	-	-
• bank loans and overdrafts	3.8	3.8	-	-	-
• other financial debt	1,414.1	31.5	558.9	823.7	31.4
Tax and social liabilities	8.2	8.2	-	-	5.5
Other liabilities (after appropriation)	7,669.1	7,538.8	130.3	-	90.4
TOTAL LIABILITIES	11,065.0	7,582.3	2,198.7	1,284.0	127.3

Analysis of other liabilities at December 31, 2014

(in millions of euros)	Amount at 12/31/2014	Amount at 12/31/2013
Advances from subsidiaries - Group's Treasury Convention	7,233.5	9,766.6
Accounts payable (1)	102.1	100.4
Other	333.5	324.4
TOTAL	7,669.1	10,191.4

(1) The total amount of vendors was €102.1 million of which 15% are payable in 30 days and 85% are payable over 30 days.

(in millions of euros)	Amount at 12/31/2014	Less than one year	1-5 years	After 5 years	Out of which accruals
Receivables					
Tax and social receivables	21.8	12.8	9.0	-	9.0
Other accounts receivable and other current assets	663.9	614.9	49.0	-	85.4
TOTAL	**685.7**	**627.7**	**58.0**	**-**	**94.4**

Analysis of other accounts receivable and other current assets at december 31, 2014

(in millions of euros)	Amount at 12/31/2014	Amount at 12/31/2013
Advances to subsidiaries - Group's Treasury Convention	389.6	394.3
Receivables	109.7	58.3
Other	164.6	222.1
Total	**663.9**	**674.7**

Note 16 Related party transactions

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

(in millions of euros)	Net balance sheet amount	Of which consolidated or related companies
Investments and other non-current assets		
• Investments in subsidiaries and associates	9,275.5	9,275.5
• Due from subsidiaries and associates	-	-
• Other financial assets[(1)]	8,438.8	8,434.0
• Other investments	37.2	37.0
Accounts receivable	685.7	547.5
Marketable securities/Cash	3,613.4	-
Financial debt		
• Convertible bonds and other bonds	1,969.8	-
• Bank loans and overdrafts	3.8	-
• Other financial debt	1,414.1	1,392.7
Tax and social liabilities	**110.3**	**97.3**
Other liabilities (after appropriation)	**7,567.0**	**7,491.4**

(1) Of which €7,813.4 million loans granted to Alcatel-Lucent Participations.

Related party transactions for the period were as follows:

(in millions of euros)	Net income statement amount	Of which consolidated or related companies
Financial income (loss)		
• Revenues from investments in subsidiaries and associates	412.0	412.0
• Interest income and similar revenues	334.4	302.0
• Interest expenses and similar expenses	(229.9)	(146.2)
• Other financial income (loss)	471.4	470.0

No transaction has been concluded out of normal market conditions with related parties.

Note 17 Pensions and retirement indemnities

At December 31, 2014, Alcatel-Lucent's pensions and retirement indemnity obligations were either reserved (the reserve amounts to €33.5 million - see Note 13) or were covered by insurance contracts.

The 2013-02 recommendation put in place on the 7th of November 2013 by the French Accounting Principles Authority was applied, by anticipation, on the financial year beginning the 1st of January 2013. The resulting changes from this first application were treated in accordance with the norms relating to changes in accounting methods. The application of this recommendation led to immediate recognition in the income statement of the amendments during their period of occurrence. The expenses budgeted for the assets value are now calculated using the discount rate instead of the assets' expected rate of return. Alcatel-Lucent has also confirmed its application of the immediate recognition of actuarial gains and losses in the income statement. This change in policy had no impact on the opening of prior accounting periods.

The actuarial assumptions used are as follows:

Discount rate	1.75%
Future salary increases	1.75%

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

The actual return on plan assets depends on the asset allocation and its performance.

Components of net periodic benefit (cost) of post-employment benefit plans are:

(in millions of euros)	
Service cost	(1.4)
Interest cost	(2.4)
Interest income	1.3
Amendments	
Recognized actuarial gain/(loss)	(16.2)
Effect of curtailments	
Effect of settlements	
Effect of adjustment on net assets	
NET PERIODIC BENEFIT (COST)	**(18.7)**

The change in the obligation recorded in the balance sheet was as follows:

(in millions of euros)	
Change in benefit obligation	
Benefit obligation at January 1	**(71.1)**
Service cost	(1.4)
Interest cost	(2.4)
Plan participants' contributions	
Amendments	
Curtailments	
Settlements	
Special termination benefits	
Actuarial (gains) and losses	(19.9)
Benefits paid	8.2
Benefit obligation at December 31	**(86.6)**
Benefit obligation excluding effect of future salary increases	(80.1)
Effect of future salary increases	(6.5)
Benefit obligation at December 31	**(86.6)**
Change in plan assets	
Fair value of plan assets at January 1	**32.7**
Interest income	1.3
Actuarial gains and (losses)	3.7
Employer's contributions	17.7
Plan participants' contributions	
Amendments	
Curtailments	
Settlements	
Benefits paid/Special termination benefits	(2.3)
Fair value of plan assets at December 31	**53.1**
Present value of defined benefit obligations that are wholly or partially funded	(86.6)
Fair value of plan assets	53.1
Funded status of defined benefit obligations that are wholly or partially funded	**(33.5)**
Present value of defined benefit obligations that are wholly unfunded	-
Funded status	**(33.5)**
Unrecognized surplus (due to application of asset ceiling)	-
Net amount recognized	**(33.5)**

The plan assets of retirement plans were invested as follows:

(in millions of euros and percentage)	Market value	%
Bonds	44.7	84%
Equity securities	2.1	4%
Short-term investments	2.6	5%
Property assets	3.7	7%
TOTAL	**53.1**	**100%**

Note 18 Contractual obligations and disclosure related to off-balance sheet commitments

Presentation of here below financing commitments does not preclude the existence of significant off-balance sheet commitments in accordance with accounting principles.

Other commitments

Alcatel-Lucent has also given the following guarantees with regard to the Group's general operations:

(in millions of euros)	Amount at 12/31/2014	Less than one year	1-5 years	After 5 years
Guarantees granted to subsidiaries or other Group companies	-	-	-	-
Assets pledged to secure Alcatel-Lucent's financial debt	-	-	-	-
Guarantees given on:				
• commercial contracts	2,751.2	778.7	1,355.7	616.8
• loans	1,853.8	0.6	617.7	1,235.5
• other items	524.1	31.5	341.1	151.5
TOTAL	**5,129.1**	**810.8**	**2,314.5**	**2,003.8**

The guarantees given on commercial contracts (€2,751.2 million) included guarantees on businesses sold or contributed to Thales (€49.1 million), for which Alcatel-Lucent received a counter-guarantee from the purchaser.

Guarantees received

(in millions of euros)	Amount at 12/31/2014	Less than one year	1-5 years	After 5 years
Credit facility	-	-	504.0	-
TOTAL	**-**	**-**	**504.0**	**-**

Note 19 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 to our consolidated financial statements) or will not result in any significant costs to the Group, Alcatel-Lucent is involved in the following legal proceedings.

Governmental actions and investigations

a/ Costa Rican Actions

Beginning 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. Upon learning of these allegations, Alcatel commenced an investigation into this matter.

In connection with the Costa Rica allegations, on July 27, 2007, the Costa Rican Prosecutor's Office indicted eleven individuals, including the former president of Alcatel de Costa Rica, on charges of aggravated corruption, unlawful enrichment, simulation, fraud and others. Three of those individuals have since pled guilty. Shortly thereafter, the Costa Rican Attorney General's Office and ICE, acting as victims of this criminal case, each filed amended civil claims against the eleven criminal defendants, as well as five additional civil defendants (one individual and four corporations, including CIT) seeking compensation for damages in the amounts of U.S.$52 million (in the case of the Attorney General's Office) and U.S.$20 million (in the case of ICE). The Attorney General's claim supersedes two prior claims, of November 25, 2004 and August 31, 2006. On November 25, 2004, the Costa Rican Attorney General's Office commenced a civil lawsuit against CIT to seek pecuniary compensation for the damage caused by the alleged payments described above to the people and the Treasury of Costa Rica, and for the loss of prestige suffered by the Nation of Costa Rica (social damages). The ICE claim, which supersedes its prior claim of February 1, 2005, seeks pecuniary compensation for the damage caused by the alleged payments described above to ICE and its customers, for the harm to the reputation of ICE resulting from these events (moral damages), and for damages resulting from an alleged overpricing it was forced to pay under its contract with CIT. During preliminary court hearings held in San José during September 2008, ICE filed a report in which the damages allegedly caused by CIT are valued at U.S.$71.6 million.

Alcatel-Lucent settled the Attorney General's social damages claims in return for a payment by CIT of approximately U.S.$10 million. ICE argued that their civil claims are not included in the settlement with the Attorney General, and proceeded to take such civil claims to trial with the criminal claims. The trial of the criminal case, including the related civil claims, started on April 14, 2010. On April 5, 2011, the trial was closed by the Tribunal. The Tribunal rendered its verdict on April 27, 2011, and declined on procedural grounds to rule on ICE's related civil claims against Alcatel-Lucent. The Tribunal issued its full written ruling on May 25, 2011. The corresponding reserve previously booked for an amount of approximately €2 million was fully reversed during the second quarter 2011. In December 2012, the Court of Appeals (which found all of the individual defendants not guilty on procedural grounds) reversed the lower criminal court's decision not to rule in the matter of ICE's claim against Alcatel-Lucent and remanded that matter for resolution. In the beginning of 2013, ICE filed an extraordinary appeal on cassation before the Costa Rican Supreme Court seeking to obtain confirmation of the lower criminal court's decision which referred the parties to a civil court. In 2014, the Supreme Court reversed the Court of Appeals' decision to render invalid certain key evidence against some of the individual defendants and ordered the Court of Appeals to issue a new decision. The lower criminal court will decide on Alcatel-Lucent's claim against ICE for legal costs.

Additionally, in August 2007, ICE notified CIT of the commencement of an administrative proceeding to terminate the 2001 contract for CIT to install 400,000 GSM cellular telephone lines (the "400KL GSM Contract"), in connection with which ICE is claiming compensation of U.S.$59.8 million for damages and loss of income. By March 2008, CIT and ICE concluded negotiations of a draft settlement agreement for the implementation of a "Get Well Plan," in full and final settlement of the above-mentioned claim. This settlement agreement was not approved by ICE's Board of Directors which resolved, instead, to resume the aforementioned administrative proceedings to terminate the operations and maintenance portion of the 400KL GSM Contract, claim penalties and damages in the amount of U.S.$59.8 million and call the performance bond. CIT was notified of the termination by ICE of this portion of the 400 KL GSM Contract on June 23, 2008. ICE has made additional damages claims and penalty assessments related to the 400KL GSM Contract that bring the overall exposure under the contract to U.S.$78.1 million in the aggregate, of which ICE has collected U.S.$5.9 million.

In June 2008, CIT filed an administrative appeal against the termination mentioned above. ICE called the performance bond in August 2008, and on September 16, 2008 CIT was served notice of ICE's request for payment of the remainder amount of damages claimed, U.S.$44.7 million. On September 17, 2008, the Costa Rican Supreme Court ruled on the appeal filed by CIT stating that: (i) the U.S.$15.1 million performance bond amount was to be reimbursed to CIT and (ii) the U.S.$44.7 million claim was to remain suspended until final resolution by the competent court of the case. Following a clarification request filed by ICE, the Court finally decided that the U.S.$15.1 million performance bond amount was to remain deposited in an escrow account held by the Court, until final resolution of the case. On October 8, 2008, CIT filed a claim against ICE requesting the court to overrule ICE's partial termination of the 400KL GSM Contract and claiming compensation for the damages caused to CIT. In January 2009, ICE filed its response to CIT's claim. At a court hearing on March 25, 2009, ICE ruled out entering into settlement discussions with CIT. On April 20, 2009, CIT filed a petition to the Court to recover the U.S.$15.1 million performance bond amount and offered the replacement of such bond with a new bond that would guarantee the results of the final decision of the Court. CIT appealed the Court's rejection of such petition and the appeal was resolved on March 18, 2010 in favor of CIT. As a consequence of this decision, CIT can collect the aforementioned U.S.$15.1 million amount upon submission to the Court of a bank guarantee for an equivalent amount. Preliminary courthearings on CIT substantive case were held between October 2009 and October 2010. The case is expected to be set for trial in 2015.

On October 14, 2008, the Costa Rican authorities notified CIT of the commencement of an administrative proceeding to ban CIT from government procurement contracts in Costa Rica for up to 5 years. In March 2010, CIT was notified of a new administrative proceeding whereby ICE seeks to ban CIT from procurement contracts, as a consequence of alleged material breaches under the 400KL GSM Contract (in particular, in connection with failures related to road coverage and quality levels). The administrative proceeding was suspended on December 8, 2009 pending the resolution of the criminal case mentioned above.

On May 3, 2012, ICE filed before the Tribunal Contencioso Administrativo y Civil de Hacienda of Costa Rica a new claim against a number of Alcatel-Lucent legal entities with regards to the corruption matter that was investigated by and settled with the Costa Rican and United States authorities. ICE subsequently reformulated its claim, requesting US$18 million for pecuniary losses and an undetermined amount for moral damages. The Tribunal, at a hearing on March 15, 2014, ruled in favor of Alcatel-Lucent, confirming that the claim had already been settled. Alcatel-Lucent had not booked a reserve for this claim. ICE appealed in cassation before the Supreme Court. The Court has not yet ruled on the admissibility of the appeal.

Alcatel-Lucent generated €1.6 million in revenue from Costa Rican contracts in 2014. Based on the amount of revenue expected from these contracts, Alcatel-Lucent believes the the loss of business in Costa Rica, if it were to occur, would not have a material adverse effect on the Alcatel-Lucent group as a whole.

Alcatel-Lucent has recognized a provision in connection with the various ongoing proceedings in Costa Rica when reliable estimates of the probable future outflow were available.

b/ Investigations 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.

c/ 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.

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.

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, 2014.

Note 20 Compensations of directors and executive officers

Directors' fees for 2014 amounted to €1.1 million.

The 2014 compensations paid by Alcatel-Lucent to executive officers amounted to €2.1 million.

Note 21 Statutory auditors' fees

The amount of fees of our Statutory Auditors for the year ended December 31, 2014 is not incorporated into the Notes to the parent company statutory accounts. However, the unaudited amount of audit fees is disclosed in section 11.1.3 of the 20-F that is available on Internet at *www.alcatel-lucent.com*.

Note 22 Events after the statement of position date

There were no significant subsequent events.

Note 23 Information related to subsidiaries and associates

(in millions of euros)	Capital stock at year-end	Components of share-holders' equity other than capital stock (1)	Alcatel-Lucent percentage of ownership (%)	Gross value of investments held	Net book value of investments held	Outstanding loans and advances	Guarantees given	Net sales (1)	Net income (loss) (1)	Dividends received in 2014 by Alcatel-Lucent
Detailed information relating to subsidiaries and associates with book value in excess of 1% of Alcatel-Lucent's capital stock										
A - Subsidiaries (at least 50% of capital stock held by Alcatel-Lucent)										
Alcatel-Lucent Participations - 148/152 route de la Reine 92100 Boulogne-Billancourt	1,800.6	4,234.8	100.0	28,251.4	6,111.0	7,813.4	-	5.9	103.0	-
Coralec - 148/152 route de la Reine 92100 Boulogne-Billancourt	3,434.6	(1,778.8)	100.0	8,726.6	1,648.0	-	-	-	26.6	-
Electro Banque - 148/152 route de la Reine 92100 Boulogne-Billancourt	106.0	162.0	100.0	581.7	294.0	-	-	5.8	11.6	410.8
Alcatel-Lucent Submarine Networks - 148/152 route de la Reine 92100 Boulogne- Billancourt	112.0	274.5	100.0	1,338.6	1,197.0	-	-	399.6	17.9	-
Alcatel-Lucent Norway AS Martin Linges vei 25 1367 SNAROYA(Nw)	1.8	1.5	100.0	168.9	18.0	-	-	34.6	2.1	1.2
B - Associates (10% to 50% of capital stock held by Alcatel-Lucent)										
Information relating to other subsidiaries and associates:no significant										
C - Subsidiaries (at least 50% of capital stock held by Alcatel-Lucent): no significant										

(1) Last financial year audited (2013)

(in thousands of euros)		Number of shares held	Net book value	Alcatel-Lucent percentage of ownership	Alcatel-Lucent Group percentage of ownership
I - Investment in subsidiaries and associates					
Alcatel-Lucent Participations	(TG)	120,036,232	6,111,000	100.0	100.0
Coralec	(TG)	572,428,051	1,648,000	100.0	100.0
Electro Banque	(TG)	10,600,422	294,000	100.0	100.0
Alcatel-Lucent Holding GmbH (Deutschland)		1	-	25.0	100.0
Alcatel-Lucent Submarine Networks	(TG)	37,337,826	1,197,000	100.0	100.0
Alcatel-Lucent International	(TG)	625,000	7,608	0.2	100.0
Alcatel-Lucent Norway		1,600,000	18,000	100.0	100.0
Electro Re		7,000	5,368	100.0	100.0
Other			168		
II - Other financial investments					
Alcatel-Lucent		13,010,214	37,079	0,5	1.0
III - Investments in real estate companies		-	-	-	-

(TG) Subsidiary belonging to the French tax group.

Five-year summary of financial data

	2014	2013	2012	2011	2010
Capital stock at year end					
a) Capital stock (in thousands of euros)	141,022	140,428	4,653,128	4,650,767	4,636,771
b) Number of shares	2,820,432,270	2,808,554,197	2,326,563,826	2,325,383,328	2,318,385,548
c) Number of new shares to be issued by conversion of bonds	652,378,496	408,912,938	459,636,084	467,543,871	518,226,986
Results (in thousands of euros)					
a) Revenues from investment portfolio	411,956	11,994	69,753	59,043	19,509
b) Income (loss) before tax, depreciation, amortization and provisions	383,973	(212,927)	93,403	(2,452,870)	181,954
c) Income tax	46,200	24,950	28,082	41,193	13,086
d) Employee profit sharing	-	-	-	-	-
e) Income (loss) after tax, depreciation amortization and provisions	890,086	1,909,568	(2,894,686)	(1,316,134)	1,497,128
f) Dividends (including distribution tax)	-(1)	-	-	-	-
Earnings per Share (in euros)					
a) Income (loss) after tax, but before depreciation amortization and provisions	0.15	(0.07)	0.05	(1.04)	0.08
b) Income (loss) after tax, depreciation amortization and provisions	0.32	0,68	(1.24)	(0.57)	0.65
c) Dividend attributable to each Share having a nominal value of €0.05	-(1)	-	-	-	-
Personnel					
a) Average number of staff employed during the year	9	8	9	9	10
b) Payroll *(in thousands of euros)*	7,861	11,931	4,786	6,579	5,225
c) Social security and employee benefits *(in thousands of euros)*	25,727	3,244	1,106	2,273	2,602

(1) Proposed.

2.4 Statutory Auditors' report on the annual financial statements of Alcatel Lucent for the year ended December 31, 2014

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying annual financial statements of Alcatel Lucent,
- the justification of our assessments;
- the specific verification and information required by law.

The annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I — Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2014 and the results of its operations for the year then ended, in accordance with French accounting principles.

II — Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter:

- The carrying value of investments presented under assets on the balance sheet amounts to €9,275.5 million as of December 31, 2014.

  The carrying value of these investments is derived notably from a valuation of the Alcatel Lucent Group based on the recoverable value of the various product divisions. The approach lies in estimating, for each product division, a value free of debt and tax, based on discounted free cash flows projected for the years 2015 until 2019 and a 2019 discounted terminal value.

  We assessed the appropriateness of the methodology disclosed in Notes 1.b1 and 8 to the annual financial statements, reviewed the data and assumptions used for its implementation and accordingly determined the reasonableness of these estimates.

This assessment was made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III — Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the Board of Directors' report and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have ensured that the required information concerning the names of the principal shareholders and holders of the voting rights have been properly disclosed in the Board of Directors' report.

Neuilly-sur-Seine and Paris-La Défense, March 19, 2015

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Pierre Agazzi	Jean-François Ginies

2.5 Statutory Auditors' special report on regulated agreements and commitments

Shareholders' Meeting held to approve the financial statements
for the year ended December 31, 2014

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in article R.225-31 of the French Commercial Code (*Code de commerce*) relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Shareholders' Meeting

Agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to article L.225-38 of the French Commercial Code (*Code de commerce*).

Agreements and commitments previously approved by the Shareholders' Meeting

Agreements and commitments approved in prior years and not performed during the year

In addition, we have been informed of the following commitments, previously approved by Shareholders' Meetings of prior years, without there being actual implementation of the principle during 2014.

Commitments made by the Company in favor of the CEO, Mr. Michel Combes :

In the context of the appointment of Mr. Michel Combes as CEO of Alcatel Lucent effective on April 1, 2013, the Board of Directors, and its meeting held on March 7, 2013, authorized, subject to approval by the Shareholders' Meeting on May 7, 2013, the following commitments in favor of Mr. Michel Combes:

(i) The benefit of the private pension plan applicable to all corporate executives of the Group's French subsidiaries (AUXAD Plan) for the portion of their income that exceeds eight times the annual French Social Security limit, beyond which there is no legal or contractual pension scheme, subject to performance conditions as required by law, and

(ii) a termination benefit, the amount of which will be equal to one year of base salary (fixed and target variable remuneration), subject to performance conditions as required by law.

As indicated in the management report, these two commitments are subject to performance- related criteria determined by the Board of Directors as its meeting held on March 7, 2013 and which will be assessed throughout Mr. Michel Combes' term of office or upon early termination of his duties.

Neuilly-sur-Seine and Paris-La Défense, March 19, 2015

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Pierre Agazzi	Jean-François Ginies

Report of the Chairman of the Board of Directors – internal control and risk management

3

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, we hereby submit the Report of the Chairman of the Board of Directors describing the internal control and risk management procedures which the company has implemented.

In order to meet the requirements of the provisions of Article L. 823-19 of the French Commercial Code, the Chairman of the Board of Directors with the support of the Law Division and Corporate Audit Services prepare the Report, which is centered around the following topics: corporate governance, global system of internal control and risk management and accounting and financial reporting.

After having proposed a general framework and having indicated all current applicable regulations, the Law Division consolidated the inputs received from the various departments involved.

This report was presented to the Audit and Finance Committee at his meeting held in March 12, 2015, and approved by the Board of Directors at the meeting held on March 13, 2015.

Regarding internal control and risk management, the procedures implemented by the company at the Group level, the responsibilities within the Group and the standards that have been set, are the subject of an explanatory report by the Chairman of the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code. The text of this report is set forth below.

The internal control system for the processing of accounting and financial information has been specially developed, to take into account the regulation in this area, both in the United States with the Sarbanes-Oxley Act which applies to Alcatel Lucent due to the fact it is listed on the New York Stock Exchange, and in France, pursuant to the Financial Security Law (*loi de sécurité financière*), which requires the Statutory Auditors to issue an opinion on the report by the Chairman of the Board of Directors.

End of 2014, the Alcatel Lucent group entered a pluriannual partnership with Accenture. Under Alcatel-Lucent responsibility, Accenture delivers part of the functions of Human Resources, Finance and IT Programs. Engagement and commitment of both parties were defined as per contract signed. Service Level Agreements and Key Performance Indicators have been defined and are regularly followed in the context of the agreed governance.

It should be noted that the term Group used in the present section refers to Alcatel Lucent and all its consolidated subsidiaries.

The elements presented below describe a situation aligned in the fiscal year ended as at December 31st, 2014.

3.1 Global system of internal control and risk management

A. Objectives and control framework used

The internal control system used by the Group follows a framework established by a recognized body, the Committee of Sponsoring Organizations of the Treadway Commission updated on 2013 (COSO 2013), applicable in 2014. The new framework identifies 17 principles beneath the existing components of former COSO 1992 which has been incorporated by the Autorité des marchés financiers (AMF) in its Cadre de référence (reference framework).

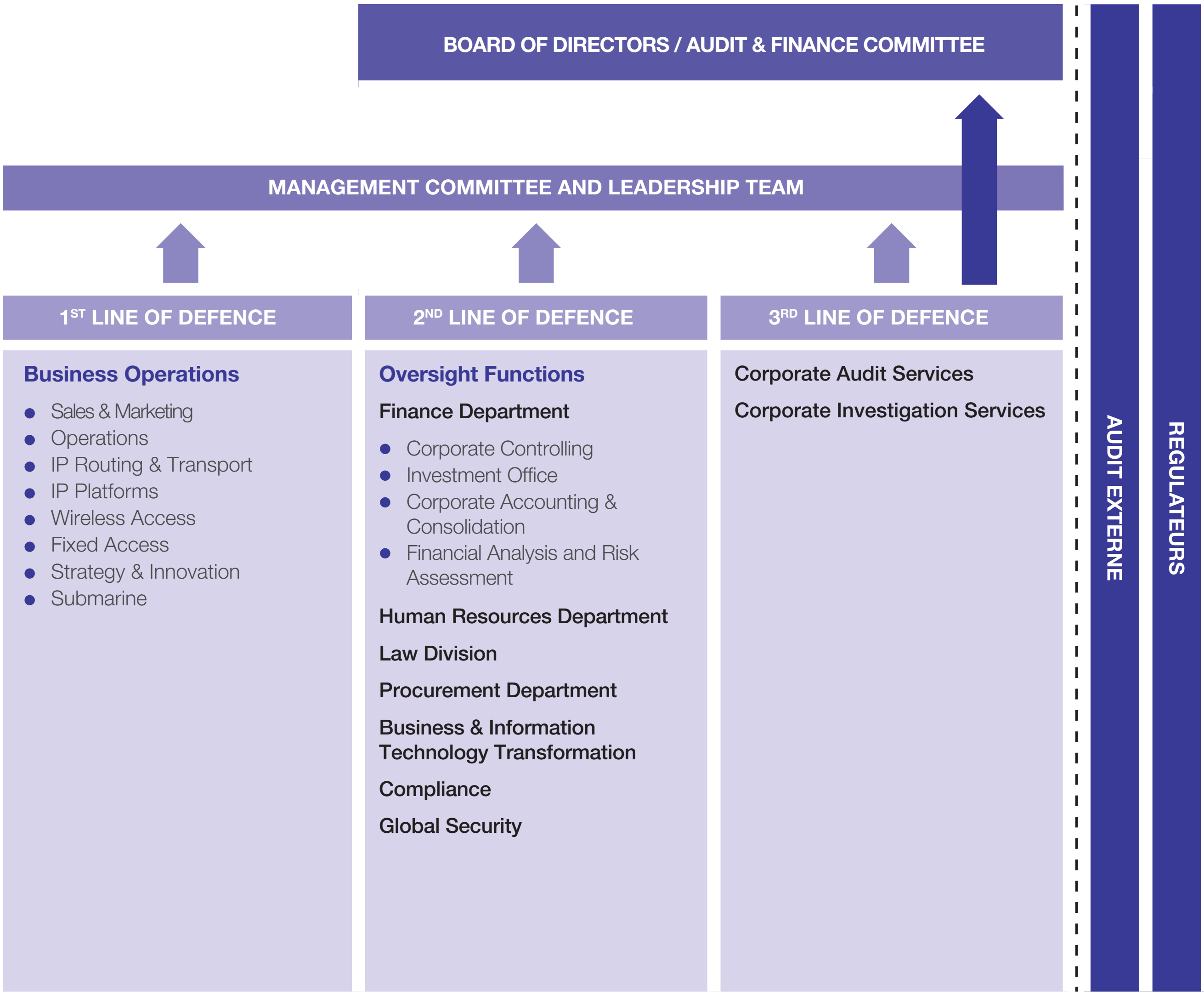
One of the aims of our internal control and risk management system is to prevent and manage business risks and the risks of errors and frauds, in particular regarding accounting and finance matters. However, like any other control system, it cannot provide absolute assurance that these risks will be entirely excluded. However, it provides the Board of Directors and management the means to make sure that the following objectives are met:

- optimization of operations;
- reliability of the financial information;
- compliance with existing laws and regulations.

The system is based on 3 main principles:

- shared responsibility: internal control relies on the resources of the entities and/or the responsibility of each employee, which is based on a system of delegation of authority, enabling to implement the Group's policies consistently. Each manager has the duty to control in an efficient manner the activities (s)he is responsible for;
- identification and compliance with common standards and procedures: formalizing standards and procedures and communication of the framework to all members of the Group is vital in the internal control process;
- segregation of duties: the general set-up of the system must reflect the distinction that exists between the people who execute the transactions and those who validate and control them.

The below chart represents the concept of the “3 lines of defense” as laid out by the IFACI (French Chapter of the IIA -Institute of Internal Auditors), and applied to Alcatel Lucent. The related components of the chart are further detailed in the subsequent sections.



B. Risk management system

Organization and components

The Management Committee has an oversight and controlling responsibility for Enterprise Risk Management (ERM).

According to the “Insurance & Risk Management Policy”, the (DAGRI) (Risk Management and Insurance department) within the Group Treasury is entrusted with the ERM identification, assessment, monitoring and reporting for Enterprise-level risks which comprise financial, operational, strategic, legal, compliance and human resources related risks. Identified risks are evaluated and prioritized according to uniform scales for the severity of the impact (qualitative and quantitative, financial and non-financial scales), likelihood of occurrence and control effectiveness.

Each key risk is addressed by a risk owner who defines in liaison with the Management Committee members, the action plans required to mitigate the exposure of the Group, to such key risk and performance indicators.

Actions can be either recurrent or corrective (“ad hoc”). The action plans are monitored on a quarterly basis through the performance indicators. The reporting on key risks and their mitigating actions is complemented, where relevant, by the presentation of developing risk areas.

Completed corrective actions are turned into control activities, as needed, and the level of control of the relevant risk is re-evaluated. The risk identification process and the key risks are regularly presented to members of the Management Committee as well as the Audit and Finance Committee. An appropriate communication on key risks and risk mitigating action is ensured with the network of risk and action plan owners.

Financial Risk Management is coordinated within the Group Treasury as part of the overall ERM framework. Its purpose is to manage the liquidity, cash and pension investment, foreign exchange, credit and interest rate risks of the Group.

Supporting this department are policies on:

- credit risk;
- project finance;
- collections;
- banking;
- cash management and investment;
- pension investment and governance; and
- interest rate risk.

On a quarterly basis, these risks are discussed at the Financial Risk Management Meeting which includes participants from the various departments within Group Treasury (i.e. inclusive of Treasury, Project Finance, Credit, Trading Room, Risk Management & Insurance/DAGRI), Corporate Controlling, Corporate Accounting, Consolidation, Tax and Trade.

The ERM process is fully integrated within the "Insurance & Risk Management Policy" maintained by the Group which is composed of:

- the Insurance and Risk Management Policy; and
- the Risk Engineering Principles,

which aim at protecting employees, the assets and the environment, while ensuring the continuity and development of the Group's activities, and which address the following elements:

- identification and analysis through an on-going holistic risk identification process;
- evaluation and prioritization of key risks;
- identification of possible correlations between risks;
- risk prevention and control policy to reduce the frequency and the magnitude of those risks that materialize;
- business impact analysis concerning the Group's activities to assess the potential impact of an adverse event affecting its industrial processes or resources;
- business continuity management;
- crisis management;
- a global approach to achieve the most cost-effective insurable risk transfer and alternative risk financing, for risks that are not retained by the Group.

Insurance

Insurance is fully integrated within the proactive "Insurance and Risk Management Policy" maintained by the Group.

The coordinated risk identification and analysis and risk mitigation policy allows to properly design:

- an appropriate level of risk retention;
- a coordinated approach for cost-effective risk transfer or alternative risk coverage for risks that are not retained in full.

However, there can be no assurance that actual losses will not exceed the limits nor that they would not fall within the exclusions of the insurance policies, due to the lack or limitation of coverage available at cost effective terms.

DAGRI issues an internal executive report listing the key identified risks and their treatment.

Processes

The ERM team develops a list of risks based on two main processes in consideration of the global risk management standards developed by various policy organizations: 1) an identification process that covers business lines, regions, corporate et transversal functions and 2) reviews with members of the Management Committee or the designees. The ERM team then applies various filters to determine which risks to capture and address at an enterprise level and the nature of the actions and resource deployment required to mitigate identified risks.

Specific monitoring procedures apply to the risks associated with the Group's businesses. With respect to the Group's Technology risk, for example, we try to mitigate the risks associated with our technology through a program geared to continuously scouting for new technologies, in order to detect them early, and make appropriate investment decisions. With respect to emerging external technologies we analyze their impact on our own technology choices.

We also rely on an incubation/innovation internal structure we keep in place in order to monitor and eventually embrace new technologies that we believe would have an impact on ours. In addition, we have put in place a system monitoring important new technology, networking and market developments.

With respect to our use of external manufacturing organizations, distribution centers and suppliers, we monitor on a regular basis supply risks related to single and critical sources.

We have developed an overall contingency plan for mitigating risks with each of our transportation providers and for each major distribution site in our global logistics network. Risks associated with the international transportation of our materials are mitigated through the use of dual transportation companies on key lanes, involving a wide range of airlines and shipping lines that in turn use both direct and indirect routings. We have put in place a monitoring mechanism to try to minimize the risk of a major disruption, whether natural or man-made.

With respect to customer credit approval process, we engage in a thorough credit approval process prior to providing financing to our customers or guarantees to financial institutions, which provide financing to our customers. Any significant undertakings have to be approved by the Project Finance and Credit departments, and in some cases, be assessed by a central Financial Analysis and Risk Assessment Team, each independent from our commercial departments. We monitor and manage the credit we have extended to our customers, and attempt to limit credit risks by, in some cases, obtaining security interests or by securitizing or transferring to banks or export credit agencies a portion of the risk associated with this financing.

Interaction between risk management and internal control

The ERM results are shared with Corporate Audit Services to prepare the annual internal audit plan. In turn, the audit results are taken into account for the evaluation of the Group's key risks.

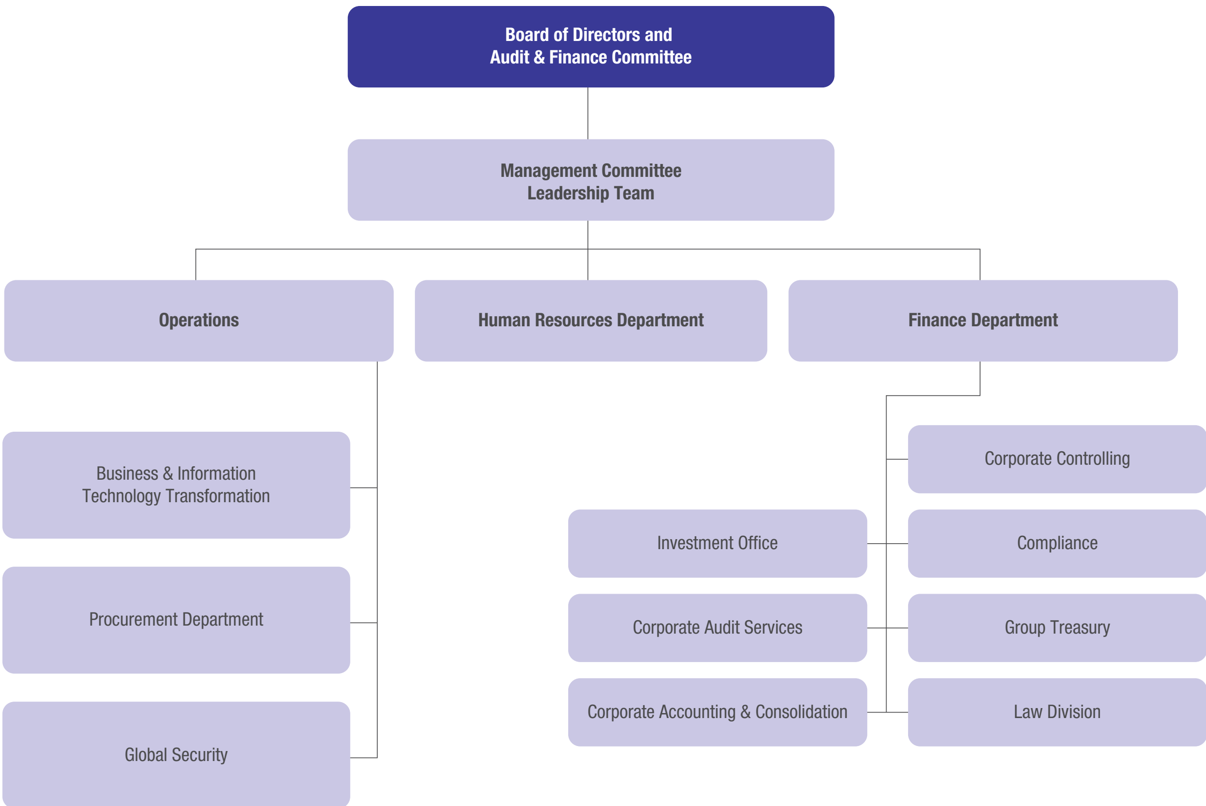
The recurrent mitigating actions identified to manage the key risks through the ERM process are integrated into the internal control activities. The controls and procedures that are part of the internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, applied in the preparation of accounting and financial information, are explicitly identified.

The key risks are reviewed by the members of the Management Committee who ensure the deployment of specific mitigation plans and the adequacy of the internal control so that these risks are covered.

C. The key players involved in internal control and in the risk management

The following describes the Group's organization as of December 31, 2014.

The graph hereunder represents the departments associated with internal control and risk management. Each department has the resources, the information systems and the procedures which enable it to exercise control and monitor its own internal control and risk management system.



Board of Directors and its Audit and Finance Committee

As the role of the Board of Directors is one of management oversight and control, it contributes in ensuring the efficiency of the system of internal control through the competency and accountability of its members, the clarity and transparency of its decisions as well as through the vigilance expertise of its Audit and Finance Committee.

In accordance with its Operating Rules, the Audit and Finance Committee plays a leading role in accounting and financial matters since it is responsible for monitoring issues relating to preparing and auditing financial reporting under the responsibility of the Board of Directors. More specifically it is in charge of monitoring (i) the financial reporting process, (ii) the effectiveness of the internal control and risk management systems, (iii) the statutory audit of the annual accounts and consolidated accounts and (iv) the independence of the statutory auditors.

The Audit and Finance Committee, which is composed of four independent members of the Board of Directors, verifies, at meetings attended by the Chief Financial Officer and the Statutory Auditors, that internal procedures to collect and verify financial information are designed and effective. It regularly reviews the functioning and organization of the Internal Audit Department, its audit plan and main audit reports. It also examines the risks that the Group may be exposed to and assesses their monitoring.

Management Committee and Leadership team

The Leadership team includes the managers from the various organizational areas, namely the business lines (IP Routing & Transport, IP Plateforms, Wireless Access and Fixed Access), transversal functions (Operations, Strategy & Innovation, Sales) and corporate functions (Finance & Legal, Human Resources, Marketing). Within the Leadership team, the managers from the transversal and corporate functions together with the CEO form the Management Committee.

The Management Committee is mainly in charge of the Group's strategy and organization, policies to be implemented, long-term financial planning and the human resources strategy. It is responsible for ensuring that the Group's plans and projects are implemented, controlling the performance of each business segment and allocating resources to the different business segments.

The Management Committee is directly responsible for the internal control system and risk management. In this respect, the Chief Executive Officer ensures that effective internal controls and risk management exist within the Group. He defines the internal control policies and supervises the implementation of the various components of internal control. Within each entity of the Group, the senior executives are responsible.

The Leadership team is accountable for executing and delivering the decisions taken by the Management Committee in the framework of the Shift plan; driving the businesses on a day to day basis; facing and anticipating the product needs of their business clients.

Finance Department

a. The Compliance Organization

The Group has implemented and is continuing to enhance a compliance and ethics program involving a set of methods, principles and controls to ensure, to the extent possible, that the current legislation and regulations, as well as the Group guidelines, principles and policies are respected. The Group's Chief Compliance Officer oversees the implementation and continuous enhancement of this program to reflect current and evolving legal requirements, international standards and the standards of behavior set forth in the Group's Code of Conduct.

The Group' Chief Compliance Officer function reports directly to the Chief Financial and Legal Officer, with direct access to the CEO and the Audit and Finance Committee. The Chief Compliance Officer oversees the Compliance Organization, which is responsible for enhancing existing compliance resources and centralizing key compliance functions, including the Anti-Corruption Program Office, Privacy and Data Protection, the Regional Compliance Leaders, and the Corporate Investigation Services.

The Compliance Organization is responsible for coordinating and supervising implementation of the compliance and ethics systems within the Group, which are fully integrated into its commercial activities and are designed to avoid, monitor, detect and minimize commercial and legal risks. The Office of Business Integrity & Compliance serves as the key interface with the Group's employees, providing them with guidance on ethical business conduct and information about the Group's ethics and compliance policies and programs.

The Corporate Investigation Services organization administers the Corporate Compliance Hotline and performs or facilitates investigations (globally) of all allegations impacting accounting, internal control & audit related issues, Compliance and Code of Conduct incidents, and selected security breaches.

The Alcatel-Lucent Ethics and Compliance Council was established in February 2007. It is comprised of the Chief Compliance Officer and representatives from of the following departments: Law, Finance, Human Resources, Communications, Operations, Corporate Audit Services, Corporate Security Services, Corporate Investigation Services, and the Office of Business Integrity & Compliance. This Council meets quarterly and is responsible for overseeing the strategic design and implementation at the Group level of an integrated and robust ethics and compliance system.

In the field, the Operating Unit Compliance Council is responsible for developing, implementing and monitoring compliance plans throughout the Group. This Council is comprised of the Compliance Leaders for the various business lines, Regions and Corporate Centers. The Council meets quarterly and is accountable for implementing the elements of the Group's ethics and compliance program. The 2014 program focused on the continued enhancement of the overall business integrity program, with particular attention to the following areas:

- Embedding a culture of integrity across the Group by reinforcing a strong tone at the top, as supported by the Chief Executive Officer, and enhancing the role of people managers;
- Reinforcing Senior Leader ownership of business integrity, as well as overall business accountability for program implementation and results;
- Increasing regional leadership and oversight for ethics and compliance across the business.

The Group continued to implement the "zero tolerance" policy consistent with established regional and corporate compliance resolution processes.

In addition, the Group continued to focus on Anti-corruption as a top compliance priority, ensuring employee awareness of and compliance with the Group's internal policies and applicable laws, including, the OECD treaty (Organization for Economic Co-operation and Development), the French criminal law against corruption, the U.S Foreign Corrupt Practices Act and the United Kingdom Bribery Act.

The core of the program consists of the six main Anti-corruption policies:

- global Policy on the Phase Out and Prohibition of Commercial Agents and Consultants;
- anti-Corruption Third-Party Risk Management, Screening and Selection Policy and the accompanying on line screening and approval process;
- third Party Final Review Committee (escalation procedure);
- policy on Facilitation Payments;
- anti-Corruption Policy on Corporate Hospitality and the accompanying online pre-approval process; and
- global Charitable Contributions Policy.

Consistent with standard internal controls, these policies were reviewed and revised in 2014 to capture any changes in regulatory requirements, as well as lessons learned during the past year.

During 2014, the Group streamlined the Anti-Corruption Policy on Corporate Hospitality to simplify the rules for hospitality related expenses. The revised Policy, along with a new and improved on-line tool for pre-approval by Compliance of these types of expenses, will be deployed in early 2015.

Further, in accordance with the Third Party Screening Policy, a Third Party Risk Management Program has been implemented for the major Operational Organizations engaging with third parties, integrating the business, finance and anti-corruption compliance screening approval process for engaging new third parties.

The on-line Third Party Screening Tool has enabled the Company to have a central registry of existing Third Parties as well as a standard process across the Company for screening of new Third Parties.

In addition, the Group continued to implement and strengthen the Global Policy on the Phase-Out and Prohibition of Commercial Agents and Consultants as a managed process for the phase-out of agents and consultants except in those few countries where legally required. Implementation of this process is consistent with the Group's mandate to terminate the use of commercial agents and consultants.

In 2014, the Group continued to implement a comprehensive global ethics and compliance training program, deploying five specialized compliance courses which were mandatory for a target audience based upon job responsibility. Targeted compliance areas included: Information Security, National Security Agreement (NSA), Intellectual Property for R&D; and Harassment & Discrimination. Additional recommended training was deployed in the following areas: Human Rights, Privacy By Design and Competitive Intelligence.

Formal anti-corruption training is delivered over the intranet and through in-person sessions. In 2014, the Group updated all anti-corruption training to reflect recently enacted regulatory requirements and the resulting changes to our corporate policy, procedures and internal controls.

Fully redesigned training for external Third Parties was developed and made available in the Third party Screening Tool in various languages. Similarly, the Group's web-based anti-corruption training and ethics & integrity overview training were updated and are mandatory for all employees and contractors.

In addition, the Office of Business Integrity & Compliance deployed the annual Code of Conduct Review and Acknowledgment to all employees and non-employee contract workers globally.

In 2014, the Group executed a comprehensive communication plan focused on enhancing a culture of business ethics. Under the leadership of the Office of Business Integrity & Compliance, the Group deployed a broad range of communications through various media, targeted around establishing and maintaining a corporate culture of integrity overall, and directed, in particular, at middle management. In addition, the Group was selected as the Dow Jones Sustainability Index Industry Supersector Leader in the Communication Technology Sector for the second year in a row, achieving a significant score of 100/100 in the Codes of Conduct, Compliance, Corruption and Bribery Category. The bank Société Générale ranked the Group Top 30 Best in universe Enterprise Société Générale rated company and No. 1 for Technology Sector for the second year in a row. Compliance and Data Privacy are key rating criteria for this raking. UN Global Compact ranked ALU Top 100 company in their global stock index for the second year in a row.

The Group continued to implement the global compliance risk assessment process to identify potential compliance issues related to the Group's key compliance program areas. Annually, the program owners for each of the referenced compliance program areas provide an initial risk analysis, with related risk factor, to each business organization based upon their knowledge of the business and the nature of the risk overall across the company and within each business organization. With this information, each business organization then conducts a "deep dive" compliance risk assessment within their organization to validate and otherwise supplement the initial assessment. These "deep dive" assessments are focused on identifying potential program gaps and attendant risks across the business for each of the key compliance program areas. Working with the program owners, each business organization is responsible for developing and implementing detailed risk mitigation plans to address identified issues and to otherwise close the gaps. To ensure full alignment across the company, each business unit compliance risk assessment is reviewed, approved and signed-off annually by the respective Alcatel Lucent Leaders.

Alcatel Lucent is a member of the Anti-Corruption Committee of the International Chamber of Commerce (ICC).

b. The Group Controlling department

The Corporate Controlling department is in charge of preparing the budget, the monthly, quarterly and annual consolidated financial data, and the financial data forecast. In coordination with the operational and financial management of the regions, business lines and subsidiaries, it provides regular monitoring of the operations of the Group. It includes also:

- The financial analysis & risk assessment function which ensures that risks inherent to the Group's commercial projects are properly assessed and mitigated by the Business Lines in the business decision-making process and that proper authorizations are granted for strategic deals.

When a deal is outside the delegations to the BL, the Management Committee Deal Review Panel (MCDRP consisting of COO, CFO, BL Head and Region Sales Head) provides the authorization to submit the offer.

- The Offer Control organization which validates the financials of Group's commercial bids, and ensures that their inherent risks are properly assessed and Integrated by the Business Lines in the business decision-making process. This function also manages the delegation of authority and the bids and contracts approval process by the Business Lines, aiming at strengthening the adherence to the approval process.

c. The Corporate Accounting and Consolidation department

The mission of the Corporate Accounting and Consolidation department is, in particular, to prepare published consolidated financial statements and to produce and disseminate applicable accounting policies and procedures within the Group, to ensure they conform to current laws and accounting standards concerning the preparation and publication of financial statements, and that such policies and procedures are properly applied, and also to ensure that the Alcatel Lucent parent company statutory accounts and consolidated financial statements are published.

d. The Corporate Audit Services

Corporate Audit Services (CAS) has direct access to the Chief Executive Officer and assists the Executive Committee in assessing the effectiveness of Enterprise Risk Management, System of internal controls and Corporate Governance. The Chief Audit Executive has also direct access to the Audit and Finance Committee (A&FC). To accomplish this activity and conduct its engagements, CAS has full access to all areas of the organization to assess risk within the enterprise. Its mission is centralized at Group level and is carried out by a team of approximately 35 professionals, eventually supported by external resources. The internal audit plan is developed annually with the approval of the A&FC and the Chief Financial Officer (CFO). The Chief Audit Executive reports to the A&FC and CFO on the status of the audit plan and specifically on the effectiveness of the internal controls of reviewed domains (including Sarbanes-Oxley compliance); results of Anti-Corruption reviews and staffing requirements. The results of the audit reports and the follow-up on the implementation of recommendations made by the audit team are closely monitored and results are shared with the A&FC and the Disclosure Committee.

In 2014, the IFACI (French Branch of the Institute of Internal Auditors–IIA) has renewed the internal audit certification, as recognition of the team professionalism. This certification, granted by external experts, confirms that the internal audit function is independent and objective, competent and rigorous, focuses on areas of major importance for the organization, constantly strives to optimize the quality of services rendered and plays an active role in the company's governance practices.

e. The Group Treasury

The Group Treasury is responsible for funding the Group, monitoring the financial and treasury risk management and the optimization of operational treasury and cash management. The Group Treasury is composed of the Risk Management and Insurance department (DAGRI), Global Treasury department, the Trading Room, the Corporate Finance department, the Project Finance department and Credit department. The Global Treasury team and the trading room manage all cash, investment, foreign exchange and interest rate risks.

f. The Investment Office

The Investment Office is responsible for managing US pensions.

g. The Law Division

Within the general framework of its mission, the Law Division, which reports to the CFO, provides legal advice and counsel to all entities of the Group with respect to the specific issues faced, over a wide range of areas and across multiple jurisdictions. Legal support to the various entities is provided by local lawyers.

During the financial year, the Law Division has notably:

- reviewed the policy related to the enforcement, the updating and the storing of the insider trading list which defines who the insiders are and set up the process of following up, storing and communicating the list, as necessary;
- continued to draft, and otherwise update and enhance, key compliance policies and procedures and, in particular, policies and procedures related to Anti-Corruption compliance. As necessary, this program includes development and deployment of relevant awareness and training to give employees a clearer understanding of the laws and regulations which apply to the Group. The policies and procedures are generally translated into the standard Group languages, with additional languages as necessary to ensure understanding;
- reviewed the global information of the database named "Governis" which tracks the share ownership of the Group subsidiaries and investments, transactions affecting capital and securities, regulated agreements and plurality of directorships and offices. This review consisted in asking each identified manager to confirm or update the information of the database;

- re-organized the management of claims and litigation to centralize the function and further enhance our case handling and reporting capabilities.

Operations

a. The Global Security

Global Security (GS) ensures protection of people—life safety, physical assets (buildings and premises, equipments), information, IT network, Business, PR impact, reputation against external and internal threats including cyber and loss prevention. It defines the security policies and procedures for the travels, events, operations and activities, and provides tools for the information, the training and protection of entities and employees of the Group. GS implements the organization, training and policies for Incident management across the world. For that purpose, Global Security supports business travels, sites and operations to ensure security of employees and non-employed contract workers, in all countries and especially in the countries considered at high risk.

b. The Business & Information Technology Transformation (B&ITT)

The B&ITT organization ensures the effective governance and execution of IT-enabled business transformation programs and IT operations. There is a significant IT component to meet the objectives of the Shift Plan and support the transformation of the business by simplifying, globalizing, modernizing and standardizing our Business Processes and supporting IT systems.

In addition, B&ITT manages and assures an outsourced contract with HP to implement and support a large part of the Alcatel Lucent IT infrastructure and some key applications. We perform service delivery assurance of all IT applications and IT infrastructure, both HP and non-HP supported. The focus is to manage and minimize business risk by reducing outages, defining and improving change control and incident management procedures and performing key application upgrades to assure performance.

In our multi-vendor environment, HP and Accenture's performance is monitored through contractual Service Level Agreements and Key Performance Indicators. There are monthly governance structures established to review delivery, operational, commercial, quality and risk mitigation matters.

We also work in partnership with the Global Security organization to assure and safeguard our IT systems and information from the continued growth of a sophisticated, and global, cyber-security threat. We coordinate and monitor SOX compliance across the B&ITT organization and our IT outsourcing partners to ensure proper controls for IT users related to access right management systems, segregation of duties, back up and restoration and other critical control areas.

c. The Procurement Department

The Procurement function is still governed by a single Quality & Compliance Management System. The Procurement Departments have a singular internal control framework implemented and defined by the following policies:

- policy on Subcontracting aims at ensuring that subcontractors are not used as vehicles to fund or to support fraudulent or illegal activities, and that, in accordance with the Group's general policies, all Group personnel must adhere to FCT43, the "Global Policy on Phase-out and Prohibition of Commercial Agents and Consultants " applicable when their intervention is legally required, and "Alcatel-Lucent Procurement Policy" when requiring the hiring and use of third parties as non-employee workers, service providers, contract employees, consultants or subcontractors of any kind ("Subcontractors");
- policy on Competitive Tendering covers the pre-selection and selection of the suppliers and specifies that the supplier selection should be made according to objective criteria, in line with the Alcatel-Lucent suppliers Code of Conduct and with the applicable Procurement Process Descriptions and Procedures.
- policy on Mitigating Supplier Risk covers the expectations for assessing and mitigating the risks associated with suppliers and sets the expectation for review, approval and recording of Directed Sourcing occurrences. The risk assessment of suppliers is managed through three independent and complementary reviews:
  - supplier Anti-Corruption Screening which assesses the risks of doing business with third party business partners based on anti-corruption laws, to prevent knowingly or unknowingly engaging in damaging or commercially-detrimental business conduct involving third parties,
  - supplier Risk Assessment which assesses the risk of suppliers across 11 predefined operational criteria:
    - financial strength,
    - management and staff culture,
    - pricing,
    - risk management,
    - manufacturing capacity and responsiveness,
    - service and support,
    - quality & reliability,
    - logistics,
    - sustainability,
    - strategic fit with Alcatel-Lucent, and
    - innovation.
  - sourcing Strategies which is a document giving a summary overview of which suppliers are Preferred, Allowed or Forbidden for a certain technology/commodity/service and summarizes the justification for use of a supplier identifying changes versus the previous sourcing strategy.
- policy on Sustainable Purchasing specifies that, in line with the Group's Corporate Responsibility undertaking and in

accordance with its Code of Conduct with the principles and rules promoted by the International Labor Organization and by the UNO, the Group is fully committed to promote Sustainability in its relationship with its suppliers by:

- ensuring that all contractual documents signed with suppliers include a supplier commitment to adhere to the Electronic Industry Citizenship Coalition (EICC) code of conduct version 4, the United Nations Global Compact 10 principles and comply with environment, health and safety requirements as applicable to the business of the supplier,
- assessing suppliers on their sustainability practices,
- requesting improvements from suppliers who are not reaching the expected level by working on improvement plans and sharing our values and principles,
- integrating sustainability practices in the selection and management of suppliers.

- policy on Conflict Minerals states our commitment to protect human rights and to take steps to avoid contributing to issues connected with conflict minerals. We continue to implement the due diligence practices and processes to identify the source of the minerals used in company products.
- policies on Supplier Management enable the group to effectively manage (including providing feedback) its third-party resources, on predefined criteria such as quality, sustainability.
- policy on the implementation of the "Alcatel-Lucent Code of Conduct" in the supply chain establishes rules that all members of the procurement community worldwide must strictly comply with. These rules also apply to employees leaving or having left procurement, as well as to any Group employee in contact with suppliers or who could influence any supplier selection.

Human Resources

The Human Resources function ensures that we acquire, develop, reward and retain talent to meet the business needs as follows:

- Talent segmentation: in 2014, critical talent segments were defined including 1) Top 200 leaders, 2) Leadership Pipeline and 3) Critical Talent with a focus on segmented development strategies adapted to the requirements of each category to enhance organization performance. In addition, a key talent 'shift' was emphasized to have business leaders take more ownership for their talent, with the support of HR;
  - top 200: segment was introduced as a corporate talent initiative to emphasize leadership effectiveness for our top 200 leaders to drive our cultural shift and to improve organization performance. This initiative included: an Excom talent review focusing on Top 200 performance, potential and succession, a 1.5 day LeaderSHIFT workshop to reconnect leaders with being 'leaders of leaders' and a quantitative assessment - the Leadership Index to measure effectiveness across 12 leadership dimensions;
  - leadership Pipeline: in 2014, a refreshed Leadership Pipeline was highlighted as part of an overall 'Talent Review' focus. This review enables the early identification of diverse and future high potential leadership talent at all levels in the company. Specifically, the Pipeline architecture was simplified and definitions made more clear and robust to reflect the company's evolution. Also, succession planning for Top 200 positions was re-introduced to link pipeline outcomes to succession needs of the business. Corporate development programs continue to be offered and refined to reflect ongoing change and different readiness levels of future leaders;
  - critical Talent - reintroduced as a talent segment with a consistent, global definition to highlight talent with 'high performance, high value and high impact' - specifically with a retention focus;
- cultural Shift: to support the continued shift of the organization, 4 corporate values: Speed, Accountability, Simplicity and Trust were introduced including behavioral expectations for each value. These values were also measured in the Leadership Index for our Top 200 Leaders. In addition, "The Place to Be" was launched by Internal Communications to highlight why people like working at Alcatel-Lucent including innovation, diversity, flexibility, development opportunities, digital workplace and corporate citizenship;
- Strategic Workforce Planning: strategic Workforce Planning allows for the analysis of talent trends and needs in line with the company's strategic direction, with respect to portfolio, diversification and financial performance;
- Performance Management: with a continued emphasis on dialogue between managers and employees: managers and employees participate in regular dialogues to define objectives, assess performance and discuss strengths and areas of development as well as career options;
- Alcatel-Lucent University: a new mandate focused on: creating a cultural shift within the university, improving global partnerships and focusing on employee learning. This mandate included a flexible customer training workforce to better manage the complexity of the business: volatile demand, mix of technologies, product lines, and languages resulting in 1B Euro in fixed cost savings. Employee Learning included: Re-emphasizing and prioritizing employee learning to build capabilities, drive better performance and achieve a cultural shift. Moving from primarily 'compliance' training to a simpler, relevant learning focus is in progress - with an emphasis being placed on People Manager Effectiveness;
- Compensation & Benefits: a new Annual Bonus Program (ABP) was launched in 2014 to create alignment with the corporate strategy and key business priorities as follows: Corporate (40%); Business (40%) and Individual (20%) objectives and to increase accountability and motivation. In addition, a new equity plan comprised of performance shares and stock options was introduced based on market differentiation and job level;

- Talent Acquisition/Career Mobility: continues to be key to the success of Alcatel-Lucent's transformation. Increased emphasis on talent recruitment will be managed through a transformation strategy focused on centralization, back office efficiencies, sourcing and university programs. A dedicated internal career mobility program, "Build Your Future" is a critical element of this strategy, ensuring visibility of skills and competencies required to provide development opportunities globally to employees seeking new challenges that best fit their career interests and motivation;
- Corporate Responsibility: as a world-wide player with different cultures, diversity in all aspects is a key driver for ensuring a rich talent mix in Alcatel Lucent. Specific attention has been given to gender diversity in 2014, including career development initiatives (Top 10 Women) driven by leaders and HR to better leverage diversity into our organization's leadership; and
- HR Modernization: ensuring that HR delivers services to managers and employees in the most efficient and effective ways, we continue to evolve our HR operating model to support global requirements in line with industry benchmarks. It includes: development of common services; streamlining and standardizing HR processes; refocusing HR resources on value add activities and introducing new tools, to provide secure, state-of-the-art HR technology to employees and managers.

Disclosure Committee

The Committee is composed of representatives of some of the central functions: the Chief Financial Officer, the General Counsel, the Director of Corporate Controlling, the Consolidation and Accounting Procedures Director, the Tax & Trade Director and the Head of Corporate Audit Services. The Regions' and business organizations' finance heads, the Group Treasurer, the Corporate Investigation Services Director as well as the Group's Statutory Auditors also attend the meetings of the Committee.

The Committee gathers and reviews the information on all Group significant events in order for the Group to publish quarterly, half-yearly and annual financial statements that include all disclosures or communications that may be necessary to accurately reflect the Group's status. The Committee assists the Chief Financial Officer in his assessment of the effectiveness of the internal control system and its relevance to the Group's organization.

In particular, the accounting principles that have a material impact on the presentation of the company's financial statements, the main accounting options and choices made and planned changes in accounting principles are presented in a specific memorandum communicated to the Audit & Finance committee and commented to its members if needed.

D. Code of Conduct

In 2009, the Group published a revised Alcatel Lucent Code of Conduct with the requirement for all employees and members of the Group's Board of Directors to review the document and acknowledge their understanding of its provisions. The revised Code of Conduct establishes, in a streamlined manner, the Group's standards for ethical business conduct and is binding on all employees globally in their daily activities, as well as in our relations with our competitors, suppliers, shareholders, partners and customers. The standards set forth in the Code of Conduct are not only based upon the laws and regulations in force, but on the notions of integrity, respect, equity, diversity and ethics.

In 2014, to continue to support overall employee awareness of the global standards of conduct, employees and Non-Employee Contract Workers were required to review and acknowledge their understanding of the Group's Code of Conduct.

The Code of Conduct is available on the Group Intranet website in twenty-two languages and can be viewed by third parties on the Alcatel-Lucent external website.

E. Compliance hotline & compliance issue resolution process

Corporate Investigation Services (CIS) has established a method of reporting actual or suspected violations of Group policies or laws and regulations through the implementation and management of a Compliance Hotline. The Compliance Hotline was implemented compliant with applicable local laws.

Within the hotline intake process, all issues reported will be directed to the proper local or regional organizations for follow up and investigation. Final disposition of an incident is decided jointly by Local, Regional or Corporate Compliance, Human Resources, Law, and Line Management based on the facts presented by the investigating body representative.

All calls/reports to the Compliance Hotline remain confidential and the identity of those reporting information will be protected in accordance with applicable laws and Group policy. The Group has a strict non-retaliation policy that protects anyone who, in good faith, reports whatever he or she believes to be a violation of law or company policy.

The hotline intake process also allows for incidents to be reported anonymously where permitted by local laws and also allows for third party reporting.

F. Delegations and sub-delegations of authority

The implemented measures take into account the operational structure of the Group in order to meet, as far as possible, the hierarchical levels.

Once the needs and risks regarding the various activity areas are defined, the delegatees are to be determined considering that they have the authority, the competence and the necessary means to accomplish their tasks.

In Alcatel Lucent, each delegate signs an individual delegation of authority, which indicates precisely his/her tasks and relevant responsibilities and receives general information as a reminder of the guiding principles which should be complied with.

This delegation of authority is accompanied with a guide elaborated to provide general information to increase awareness of delegatees on the stakes related to delegation of authority.

3.2 Accounting and financial reporting

3.2.1 Description of the existing environment as per the French regulation requirements

This system applies in particular to the internal control procedures relating to the preparation of financial statements and to the processing of financial and accounting information.

A. Accounting standards

The Group's accounting procedures and organization are compiled in a set of documents which enable an understanding of, and control over, the accounting and financial information processing system. These procedures are prepared under the CFO's responsibility and are updated regularly to reflect changes in the accounting standards and rules applicable to the Group. The Statutory Auditors review them prior to distribution. This also applies to other procedures aimed at controlling risks, in particular those regarding the Corporate and Regional Risk Assessment processes and off-balance sheet commitments.

The application of International Financial Reporting Standards (IFRSs) is mandatory for all consolidated financial statements of the Group published after January 1, 2005, since the Group is listed in a European Union country.

A special effort has been made to explain the choices made, where appropriate, regarding the interpretation or application of IFRSs, both internally (by means of accounting policies and procedures available on the Group's Intranet site) and externally (by means of notes to the consolidated financial statements), in order to apply consistently the accounting standards within the Group and in a transparent manner to outside third parties.

B. The existing system

The Finance Department is responsible for preparing the Alcatel Lucent parent company statutory accounts and the consolidated financial statements. The consolidated financial statements are used internally to monitor and analyze the performance of the Group's various businesses. A critical analysis of the historical and forecast financial data takes place at regular meetings with the financial and/or operational managers of the product segments and organizations.

During these meetings, the financial data is analyzed and sensitive issues are discussed. This process is formally reflected in position papers on significant issues and is also particularly intended to ensure that financial information received from subsidiaries is controlled and reliable.

The Corporate Accounting and Consolidation department ensures that the information included in the Alcatel Lucent parent company statutory accounts and the consolidated financial statements is presented fairly and complies with the Group's rules and procedures. The department is responsible for publishing the Alcatel Lucent parent company statutory accounts and the consolidated financial statements and at each closing makes sure that they comply, where appropriate, with the standards applicable to listed companies.

The activities of the Finance Department cover in particular current transactions (sales, purchases, costs, capital employed, cash flows, etc.), valuations (testing of goodwill for impairment, etc.) and the processing of one-off transactions (financial transactions, changes in the consolidated group, etc.). The analyses carried out by the Corporate Controlling Department and the Corporate Accounting & Consolidation Department reinforce internal control over the financial and accounting information addressed to the shareholders. Both departments report material information to the Disclosure Committee at each quarterly closing.

Internal Audit's assignments, which are directly or indirectly linked to financial reporting, represent an important part of the internal audit plan. These assignments are intended to ensure that relevant controls exist and are operating. At the end of each audit assignment, Internal Audit systematically follows up on the implementation of the corrective actions that are based on its audit recommendations.

As a company listed in the United States, Alcatel Lucent is subject to Section 404 of the Sarbanes-Oxley Act, which requires the Chief Executive Officer and the Chief Financial Officer to annually assess the effectiveness of the internal control and the procedures for preparing accounting and financial information.

In close co-operation with legal entities, a top-down and risk-based approach is used to:

- select and identify the entities and processes that are key to the preparation of the Group's accounting and financial information;
- document processes (flowcharts and/or narratives) considered important for the preparation of the financial statements;
- identify the risks associated with these processes to help improve fraud prevention and avoid potential misstatements of the financial statements;
- define and document the existence of key controls covering these major risks; and
- assess the effectiveness and implementation of the controls through tests carried out by the Internal Audit Department.

These actions are part of a process that aims at continually improving internal controls and they include the preparation of action plans. The approach was developed within 20 companies of the Group. It enabled us to conduct an in-depth assessment of our internal controls over financial and accounting reporting, pursuant to Section 404 of the Sarbanes-Oxley Act, a summary of which is given in Sub-Section 3.2.2 below.

An additional procedure was developed to verify the actual controls over the financial reporting process. This procedure was based on a self-assessment process and questionnaire involving 83 companies of the Group.

The self-assessment questionnaire includes 72 control points, taken from the 17 principles embedded in the five components of the 2013 COSO framework applicable in 2014:

- the control environment: the culture of control within the company;
- risk assessment: assessment of internal and external factors likely to affect the company's objectives and performance;
- control activities: the rules and procedures that ensure implementation of the risk management policies instituted by senior management;
- information and communication: the process that ensures that relevant information is identified and passed on in a timely manner; and
- monitoring: process aimed at ensuring that the internal control system is properly designed, effectively applied and suitable for the organization.
- The Chief Financial Officer of each legal entity is in charge of this self-assessment keeps records of all deficiencies identified and implements corrective action plans.

The purpose of this process, within the framework of the Disclosure Committee, is to give assurance to both the Chief Executive Officer and the Chief Financial Officer that procedures in force within the Group provide accurate and reliable financial information.

3.2.2. Assessments made in the context of the Sarbanes-Oxley Act

In addition to the above described environment and in connection with the Annual Report on Form 20-F filed by Alcatel Lucent with the SEC, and in accordance with the provisions of Section 302 of the Sarbanes-Oxley Act, the Group's senior managers, and in particular the Chief Executive Officer and the Chief Financial Officer, have conducted an assessment of the effectiveness at December 31, 2014, of the disclosure controls and procedures, as defined by U.S. regulations, and have concluded as to their effectiveness as set forth in the Form 20-F.

Pursuant to Section 404 of the Sarbanes-Oxley Act, the Chief Executive Officer and the Chief Financial Officer prepared a report on internal control over financial reporting within the Group, which states that:

- the Chief Executive Officer and the Chief Financial Officer are responsible for the establishment and maintenance of an appropriate internal control process for financial information;
- the Chief Executive Officer and the Chief Financial Officer carried out an assessment as of December 31, 2014 on the effectiveness of internal controls over financial reporting within the Group. This assessment was conducted in accordance with the criteria defined in the internal control framework selected by the Group (COSO 2013);
- the Chief Executive Officer and the Chief Financial Officer concluded that internal controls over financial reporting within the Group was effective at December 31, 2014; and
- Statutory Auditors who audited the financial statements at December 31, 2014 included in Form 20-F confirmed that internal controls over financial reporting within the Group was effective at December 31, 2014.

3.3 Report on the President's report

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Alcatel Lucent

For the year ended December 31, 2014

Statutory Auditors' report, prepared in accordance with article L. 225-235 of the French commercial code (*Code de Commerce*), on the report prepared by the chairman of the board of directors of Alcatel Lucent

To the Shareholders,

In our capacity as statutory auditors of Alcatel Lucent and in accordance with article L. 225-235 of the French commercial code (*Code de Commerce*), we hereby report on the report prepared by the chairman of your company in accordance with article L. 225-37 of the French commercial code (*Code de Commerce*) for the year ended December 31, 2014.

It is the chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the company and to provide the other information required by article L. 225-37 of the French commercial code (*Code de Commerce*) relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the chairman's report in respect of internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-37 of the French commercial code (*Code de Commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the chairman's report in respect of internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our work are properly disclosed in the chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the chairman of the Board of Directors in accordance with article L. 225-37 of the French commercial code (*Code de Commerce*).

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French commercial code (*Code de Commerce*).

Neuilly-sur-Seine and Paris-La Défense, March 19, 2015

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres
Jean-Pierre Agazzi	Jean-François Ginies

Sustainability

4

4.1 Overview

4.1.1 Sustainability approach

Our priorities and values

Alcatel-Lucent is dedicated to making global communications more innovative, sustainable and accessible for people, businesses and governments worldwide through its approach to responsible business innovation.

Our activities focus on three core priorities:

- eco-sustainability;
- our people; and
- digital inclusion.

These priorities are underpinned by three key values:

- zero tolerance for compliance violations;
- collaboration only with partners who support our values; and
- active engagement as citizens in the communities where we do business around the globe.

The company differentiates itself as a responsible business innovator across three main areas:

- a best-in-class compliance program promoting zero tolerance for compliance violations;
- sustainability as a key requirement across the company's supply chain; and
- eco-innovation across the product portfolio while raising the bar for the telecommunications industry.

Foundations of our sustainability strategy and reporting framework

Our sustainability strategy and reporting framework conform to the following key regulatory, investor and customer requirements and globally recognized sustainability frameworks.

- **Article 225 of France's Grenelle II law (July 10, 2010)**

  Grenelle II requires companies to include information in their annual report on the environmental, social and societal impacts of their business activities and on their commitments to sustainable development — and to have independent, third-party verification of the published information.

- **Global Reporting Initiative (GRI)**

  Our Sustainability Report is prepared according to the GRI sustainability reporting guidelines. The 2010 report earned a GRI Application Level of B+. The 2011, 2012 and 2013 reports each earned an A+ Application Level. The 2014 report is being prepared at the time of this publication following GRI G4 Core Guidelines.

- **United Nations Global Compact (UNGC)**

  Our Sustainability Report and company strategy conform to the United Nations Global Compact by incorporating information on our sustainability activities according to the 21 UNGC Advanced Level assessment criteria. In 2013 and 2014, Alcatel-Lucent was included in the United Nations Global Compact 100: a global "stock index" of the top 100 companies based on sustainability performance. We were, for the second year in a row, among the top quadrant of companies reporting according to the UNGC Advanced Level criteria. We also signed the UNGC's Call to Action on anti-corruption in December 2014, an initiative of the UN Global Compact regarding 10th Principle Against Corruption.

- **EcoVadis**

  Our sustainability strategy follows the EcoVadis framework, which is a mandatory annual evaluation of customer and supplier corporate social responsibility. It is based on the GRI, UNGC and ISO 26000 standard. In 2013, we were granted Gold Recognition with a score of 71/100, placing us in the top two percent of suppliers assessed in all industrial categories. In early 2015, we were granted Gold Recognition for the second year in a row with a score of 81/100 placing us in the top 1% of suppliers assessed in all industrial categories.

- **Dow Jones Sustainability Initiative (DJSI)**

  Our sustainability strategy is closely based on the RobecoSAM DJSI framework. In 2014, for the third year in a row, we were named Industry Group Leader for the Technology Hardware & Equipment Sector with a score of 91/100. This follows being named Leader of the Technology Supersector's CMT Communications Technology Sector in 2011, 2012 and 2013 with scores of 86/100, 87/100 and 91/100, respectively. (The Technology Hardware & Equipment Sector includes Communications Equipment, Electronic Equipment, Instruments & Components, Computers & Peripherals, and Office Electronics.)

- **International Integrated Reporting Framework (IIRC)**

  Over the course of 2014, Alcatel-Lucent performed a gap assessment to incorporate the IIRC framework into its corporate reporting. We will continue with the implementation of the IIRC framework over 2015 with a focus on quantifying value for key corporate material issues.

Sustainability performance and materiality assessment

In 2014, Alcatel-Lucent published 12 new indicators reflecting the company's commitment to responsible business innovation in line with The Shift Plan industrial strategy as well as the DJSI, UNGC Advanced Level, EcoVadis and GRI G4 principles.

We performed a materiality assessment in 2014 in line with The Shift Plan, evaluating more than 35 business issues that affect our short-, medium- and long-term corporate strategy. These issues touch on our products, services, customers, operations, employees, risk management, energy efficiency, ethics and governance, information security, human rights, digital inclusion, diversity and philanthropy. Each issue was carefully defined and weighted with regard to its impact on our commercial success as well as the expectations of our key stakeholders. Over a four-month period, we also conducted in-depth interviews with more than 30 key executives across the company as well as all of the members of our Sustainability Advisory Panel.

The results of the materiality assessment allowed us to identify key issues related to eco-sustainability (with a focus on developing energy efficient networks), ethical business practices and the increasing need for data privacy and protection, the supply chain, employee well-being and diversity, and digital inclusion. The materiality assessment will be available in our forthcoming 2014 Sustainability Report at www.alcatel-lucent.com/sustainability.

4.1.2 Sustainability management

With the company's new strategic and industrial focus on The Shift Plan, our sustainability strategy and governance were realigned as follows.

- **The Management Committee**

  The Head of Brand and Corporate Sustainability will participate annually in Alcatel-Lucent's highest corporate leadership governance body to set and validate the company's sustainability priorities, strategy and key performance indicators, and to track progress on commitments in collaboration with the CEO and Leadership Team executives. The Head of Brand and Corporate Sustainability will also review potential risks and opportunities, and provide oversight to the Board of Directors on emerging and critical sustainability issues for the company where appropriate.

- **The Sustainability Council**

  The Head of Brand and Corporate Sustainability leads a renewed Sustainability Council. This renewed and reconfigured body will include dedicated experts from key functions throughout the company, including Human Resources, the Office of Business Conduct, Operations, Strategy, CTO, Bell Labs, CMO, Quality and Risk, as well as business line representatives. It will meet virtually on a quarterly basis to help define and execute on the company's sustainability strategy, key performance indicators and commitments, and to raise key risks and commercial opportunities to be addressed in the company's sustainability performance and activities.

- **The Sustainability Advisory Panel**

  This panel engages Alcatel-Lucent material stakeholders in the company's sustainability strategy and KPIs, and provides insight and actions on key risks and opportunities. It includes key customers, an investor, a key supplier, a government representative, a representative from an NGO and a representative from a rating agency. It is led by the Head of Brand and Corporate Sustainability with the support of executive leadership members and company experts, and is moderated by an external advisor. Five meetings were held in 2014 and a full materiality assessment was performed with the members of this panel.

- **The Corporate Sustainability Team**

  This group defines and drives the implementation of our sustainability strategy and initiatives worldwide. It is accountable for the company's regulatory and reporting requirements and leads proactive stakeholder dialogue. The Alcatel-Lucent Foundation is also part of the corporate sustainability function.

4.2 Environment

4.2.1 Overall environmental policy

The information and communications technology (ICT) sector has the potential to play a critical role in addressing challenges related to climate change. At Alcatel-Lucent, our long-term success depends on helping our customers respond to their environmental challenges through our innovation – and on reducing our own direct environmental impact.

For these reasons, we have built environmental considerations into virtually every aspect of our business, following a three-part approach.

- **Developing eco-sustainable networks:** creating and bringing to market products, services and solutions that contribute to environmentally responsible end-to-end networks.

- **Leading the telecoms industry:** innovating in finding new disruptive research responses to today's climate change challenge through open, collaborative research partnerships and forums, such as GreenTouch™ and/or through our own Bell Labs research on energy.
- **Reducing our carbon footprint:** reducing our absolute carbon footprint from operations by 50% by 2020 compared to our 2008 baseline. By the end of 2014, our carbon footprint had decreased by 40% compared to the 2008 baseline.

This approach relies on our strong commitment for eco-innovation and our ability to play a leading role with key stakeholders.

Governance

Three bodies are primarily responsible for environmental activities at Alcatel-Lucent.

- **The Green Operations Sustainability Team** oversees operational initiatives linked to the environment and climate change. It relies on a network of local Green Team leaders to ensure carbon footprint information is reported reliably and on time, and that local action plans are implemented properly.
- **The Environment, Health & Safety (EHS) Office** develops compliance assurance programs and policies to meet legal, customer and company requirements. It also provides technical support to local EHS representatives for the implementation of EHS programs, and uses the EHS Management System to ensure compliance, continual improvement and performance in line with industry best practices.
- **The Chief Technical Office (CTO) and Bell Labs** address environmental initiatives and goals linked to products, services and solutions. In collaboration with product and research teams, they look for ways to minimize the environmental impact of our products throughout their life cycle by developing and deploying eco-conscious design processes, practices and tools. The CTO and Bell Labs also seek to identify ways in which ICT can be used to enable a low-carbon economy.

Implementation

Environment, Health & Safety Management System

While our EHS policy provides a framework for improving EHS performance, our Environment, Health & Safety Management System (EHSMS) facilitates the use of a common EHS management model.

The EHSMS is designed to identify risks, maintain compliance and promote EHS excellence. It provides an efficient and effective way to manage EHS issues associated with products, services and activities while cost-effectively pursuing continuous improvement in EHS performance. Our EHSMS continues to meet the needs of customers who increasingly insist on third-party-certified EHS systems. Decisions regarding third-party certification are made at the local level based on risk, the nature of hazards, customer requirements and competitive advantage. We continue to drive this same EHS management approach through our supply chain to minimize the overall impact of our operations.

In 2014, the EHSMS was expanded to include Alcatel-Lucent Australia. Like our Rhodes facility, Alcatel-Lucent Australia, obtained certification to ISO 14001:2004 and Occupational Health and Safety Management Systems (OHSAS) 18001:2007 standards.

EHS Compliance Audit Program

This program determines if the EHS programs at our facilities and worksites in the field are properly implemented and effective, and assures management that the organization is operating in a manner consistent with EHS policy. Facilities and fieldwork are evaluated against a number of criteria including Alcatel-Lucent standards, international norms, and country-specific federal and local regulations.

In 2014, as part of a specific EHS audit strategy, audits were completed in the United States, Spain, France, Argentina, Uruguay, Ecuador, Columbia, Peru, Chile, Venezuela, Dominican Republic, Puerto Rico, Mexico, Qatar, South Africa, Turkey and China. Facility audits completed in 2014 included the Alcatel-Lucent Ottawa (Canada) and Madrid (Spain) facilities as well as the Alcatel-Lucent Submarine Networks manufacturing facility in Calais, France.

Centralizing environmental information

We employ an online, web-based reporting tool for collecting, reporting and analyzing sustainability metrics and information related to our carbon footprint, energy and water usage programs. The use of this tool has improved both the accuracy and completeness of the data used for our annual sustainability reporting. Assigned contributors at Alcatel-Lucent facilities have used this tool to provide appropriate accounting of energy usage, water usage and direct greenhouse gas (GHG) emissions as authenticated by applicable invoices and bills. In addition, we utilize an online survey that is sent to assigned contributors at Alcatel-Lucent facilities for collecting, reporting and analyzing waste indicators data.

For the 2014 reporting

- At the beginning of 2014, 504 sites were contained within our real estate portfolio, representing a total area of 2,830,885 square meters. Over the course of the year, 30 sites were added to and 105 sites were removed from our portfolio. At year-end, 429 sites were contained within our real estate portfolio for a total area of 2,528,951 square meters. As a result of these changes to our portfolio, in 2014 we achieved a reduction of approximately 11% in our worldwide real estate area.
- 100% of facilities contained within our real estate portfolio were accounted for in the reporting tool.

- Of the 534 sites that were contained within our real estate portfolio throughout the year, 222 were assigned the responsibility for managing data input within the online, web-based tool for applicable Scope 1, Scope 2 and Scope 3 categories (for further information, please refer in this chapter to Section 4.2.8 "Environment indicators"). These assigned sites represented 86% of our worldwide annual average real estate area and 81% of our total annual average headcount. The remaining sites, of which we have no operational control, had their electricity usage, natural gas usage, electricity transmission/distribution loss and refrigerant loss estimated through the use of company-specific algorithms.
- Of the 534 sites contained within our real estate portfolio throughout the year, 203 were assigned the responsibility for completing the online waste survey. The corresponding response rate of the survey represented 59.7% of the total Alcatel-Lucent headcount. (For further information, please refer in this chapter to Section 4.2.8 "Environment indicators".) To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

Employee eco-awareness

We seek to inspire our employees to be aware of environmental issues by:

- using blog posts, audio podcasts and Twitter sessions to share updates on our sustainability progress;
- offering EHS web based training ;
- holding an Earth Day awareness campaign through the Alcatel-Lucent intranet as well as on-site events;
- distributing EHS employee news via email, our internal Engage social media platform and our EHSMS intranet website; and
- renovating our real estate facilities worldwide ensuring all of new offices implement the highest cost effective eco-standards including heating, cooling and recycling.

In 2014, a survey was sent to 16,787 employees around the world to learn more about the commuting habits of Alcatel-Lucent employees. With a response rate of 21%, the survey enabled us to estimate the carbon emissions associated with employee commuting. In addition, our efforts related to environmental protection were rated as "good" or "excellent" by 55% of employees.

Environmental risks

Contingency planning and adaptation to environmental risks

In 2014, 70 real estate business continuity plans (BCPs) were in place to address environmental and other risks in terms of the potential loss of critical functions. The BCPs target locations with more than 500 employees (or with more than 200 employees in areas with elevated risks, such as proneness to earthquakes or political volatility). BCPs cover all critical real estate functions identified for a given location, allowing us to respond to diverse threats and systems that become material. Some plans — such as centrally managed plans within the corporate crisis management process and local emergency response plans — respond to particular hazards such as earthquakes and pandemics.

Provisions and guarantees for environmental risks

It is our policy and practice to comply with all applicable environmental requirements and to provide safe, environmentally sound workplaces that will not adversely affect the health or safety of the communities in which we operate. Although we believe we are in material compliance with all environmental, health and safety laws and regulations, and that we have obtained all material environmental permits and authorizations required for our operations and our products, we may have to incur expenditures in the future significantly in excess of our expectations to cover environmental liabilities, maintain compliance with current or future environmental, health and safety laws and regulations, or undertake any necessary remediation.

The future impact of environmental matters, including potential liabilities, changes in carbon and environmental reporting requirements and the pricing of carbon emissions, is often difficult to estimate. We have modeled the potential pricing of carbon on our financial statements. Although it is not possible at this stage to predict the outcome of remedial and investigatory activities with absolute certainty, we believe the ultimate financial impact of these activities — net of applicable reserves — will not have a material adverse effect on our consolidated financial position or our income (loss) from operating activities.

As of December 31, 2014, our remaining outstanding balance related to our main provisions for environmental risks was €59 million.

4.2.2 Pollution and waste management

Laws and regulations

We are subject to national and local environment, health and safety laws and regulations relevant to our operations, facilities and products in every jurisdiction where we operate. These laws and regulations impose various limitations (including the discharge of pollutants into the air and water) and establish standards for the treatment, storage and disposal of solid and hazardous waste, which may require us to remediate a site at significant cost. In the United States, these laws often require parties to fund remedial action regardless of fault. We have incurred significant costs to comply with these laws and regulations and expect to continue to incur significant compliance costs in the future.

We constantly monitor legal, regulatory and other developments that may affect the environmental, health and safety aspects of our activities, products or services. Compliance reviews are performed regularly and appropriate remedial measures are implemented once applicable legal, regulatory and other requirements are identified.

Remedial and investigatory activities

Remedial and investigatory activities are underway at numerous current and former facilities owned or operated by the former Alcatel and Lucent entities. In addition, Lucent Technologies Inc. (now Alcatel-Lucent USA Inc.) was named a successor to AT&T as a potentially responsible party at numerous Superfund sites pursuant to the U.S. *Comprehensive Environmental Response, Compensation and Liability Act* of 1980 (CERCLA) or comparable state statutes in the United States. Under a Separation and Distribution Agreement with AT&T and NCR Corporation (a former subsidiary of AT&T), Alcatel-Lucent USA Inc. agreed to assume responsibility for certain liabilities primarily resulting from or relating to its assets and the operation of its business as conducted at any time prior to or after the separation from AT&T, including related businesses discontinued or disposed of prior to its separation from AT&T. Furthermore, under the Separation and Distribution Agreement, Alcatel-Lucent USA Inc. is required to pay a portion of contingent liabilities in excess of certain amounts paid out by AT&T and NCR, including environmental liabilities.

For more information, including our anticipated remedial costs associated with the cleanup of the Fox River Superfund Site in Wisconsin, please refer to Section 6.5 “Contractual obligations and off-balance sheet contingent commitments”, subtitle “Specific commitments: Alcatel-Lucent USA Inc.” of the 2013 Annual Report on Form 20-F. In Alcatel-Lucent USA Inc.’s Separation Agreements with Agere and Avaya, those companies have agreed, subject to certain exceptions, to assume all environmental liabilities related to their respective businesses.

Monitoring and reduction

Waste

We have reduced the amount of waste generated by 34.5% (i.e., 9,096 metric tons) between 2008 and 2014. In 2012, we established an objective to reduce the amount of landfilled waste to 15% by 2015 (down from 36% in 2009). (“Waste” refers to all hazardous and non-hazardous waste from our operations, excluding electronic waste.)

Total estimated amount of landfilled hazardous and non-hazardous waste	
2012	22%
2013	24%
2014	14%

Note: Waste data based on total extrapolated hazardous and non-hazardous waste production, recycling and landfilling weights.

We also require all Alcatel-Lucent and joint-venture facilities and operations that generate or manage waste and waste byproducts — including hazardous waste and electronic scrap — to evaluate the possibility of reusing Alcatel-Lucent-branded equipment for maintenance or resale purposes, and to reduce waste and scrap generation by applying pollution-prevention and waste-minimization principles and mechanisms at both the process and facility levels.

Discharges, emissions and releases

In compliance with local laws and regulations, we maintain reporting processes for air emissions and water and soil discharges that seriously harm the environment in the countries in which we operate. No air emissions or water and soil discharges above any legal reportable quantities took place in 2014.

Noise

We monitor our operations and activities with regard to occupational noise and community noise regulations. In 2014, no noise-related issues were reported or regulatory citations written regarding either community or occupational noise.

Takeback, remanufacturing and recycling

Alcatel-Lucent offers global product takeback, remanufacturing and recycling services for any type of telecom products regardless of vendor. Members of our global network of approved recycling vendors collect and recycle products that have reached their end of life. Customers are provided with an online request form to arrange equipment pick-up. Where possible, we participate in public recovery systems.

In 2014, Alcatel-Lucent managed 5,825 metric tons of electronic waste. Of this, 327 metric tons of equipment and components were remanufactured and/or resold, of which 59,756 circuit packs and 239 configured pieces of equipment were remanufactured internally at Alcatel-Lucent.

We also avoided producing more than 6,280 metric tons of CO_2e by remanufacturing new equipment and components. Approved recycling partners recycled 5,256 metric tons. Of this, 96% was recycled or resold, 2% was treated by incineration and 2% was disposed of via secure landfill. In 2014, 9 new product families were added to our remanufacturing and resale operations. The overall number of Alcatel-Lucent product families under the current remanufacturing/resale process has grown from 45 in 2008 to 103 in 2014.

Telecommunication networks operated by our customers employ significant amounts of batteries to maintain the backup power required to run a stable network. Alcatel-Lucent operates battery maintenance, installation, removal, as well as transportation and recycling program across the United States to ensure the batteries in its equipment are properly managed and recycled. The goal of this program is to enable customers to prevent potentially harmful chemicals from lead-acid batteries from entering the waste stream and instead be available to be used again in new batteries. Alcatel-Lucent recycled 980.6

metric tons of lead-acid batteries from customers' networks in 2014, resulting in the recovery of 686.4 metric tons of lead for use in the manufacture of new batteries.

4.2.3 Sustainable use of resources

Managing materials

Measures to improve efficiency of raw materials use

Our life cycle assessment (LCA) approach evaluates the consumption of raw materials throughout the life cycles of our products. Data and results from LCA assessments inform continual improvements to achieve more efficient use of raw materials and energy at every stage of product life: Raw material extraction, pre-processing, intermediate material and component manufacturing, final manufacturing and assembly, packaging, distribution and installation, use, and end-of-life reuse and recycling. These improvements are incorporated into our best practices for environmentally conscious product design.

Examples of Alcatel-Lucent processes that improve the efficiency of raw materials use are as follows.

- **Designing for standardization** reduces parts inventories by increasing the use of Golden Catalogs and reuse of Golden Parts". Golden catalogs ensure adherence to the company's list of preferred/allowed suppliers and compliance with policies on restricted substances and other factors. Golden parts are selected after comprehensive analysis against the above criteria, are validated against current usage, confirmed by preferred suppliers and finally approved by a forum of technical, business and quality experts. The primary purpose of the golden catalog for a family of materials, components or products is to minimize the variety of parts across our business lines and product divisions, which in turn reduces costs, improves quality and flexibility, and accelerates time-to-market.

  Golden catalogs are refreshed annually to ensure accuracy and relevance in our very dynamic environment. Product components cover approximately 4,100 golden parts. For new product development in 2014, golden parts comprised 60% of the items used in a bill of materials — a significant achievement from a standardization and complexity reduction perspective.

- **Common designs and design reuse** increases parts interchangeability, provides common toolsets and reduces the need for component testing and qualification — ultimately lowering production costs and impact on the environment by reducing inventory, obsolescence and waste. For instance, our Component Selection Tool standardizes access to component portfolios across all business lines.

- **Eco-efficient product designs** provide increased functionality (e.g., capacity, service, performance) per unit of electricity consumed while occupying less physical space, weighing less and using fewer types of materials. This has significantly reduced the amount of raw materials consumed in our products over their entire life cycles.

- **Improved materials selection guidance** supports optimal materials selection during the design phase to deliver increased efficiency in material consumption while offsetting other material and energy flows and environmental impacts. For instance, selecting aluminum with a high metal recycled content (~65%) over painted steel (~30% recycled content) for product chassis and cabinets significantly reduces raw materials extraction requirements. It also produces a lighter-weight product that consumes less energy during shipping, installation, and end-of-life product takeback and recycling. Aluminum also needs fewer materials for corrosion and finish protection.

- **Accelerated innovation** delivers technological and environmental innovations to market more quickly, increasing access to resource-efficient equipment that uses less energy and materials resources. The acceleration of our R&D cycles has hastened the development of the innovation building blocks that enable the rapid production of breakthrough technologies and intellectual property. An example of this is Alcatel-Lucent's breakthrough Enterprise Small Cell device, which will allow operators to extend 3G, 4G LTE and Wi-Fi connectivity and coverage into the office for in-building customers. Within a year of announcing this solution, we had already demonstrated it at the Small Cells World Summit in June and are now using it in multiple customer trials.

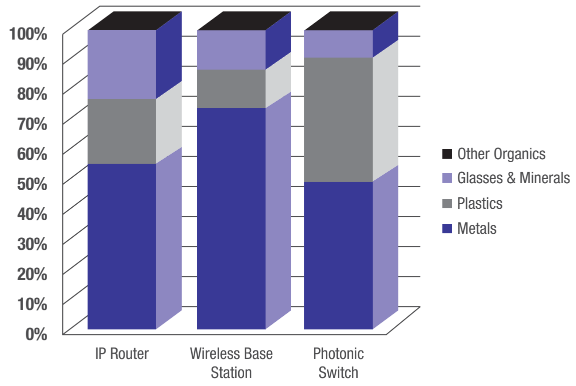
- **Product packaging** has a direct impact on the raw materials consumed and waste generated from our manufacturing processes. It also affects the amount of transport space required to deliver our products and, as a result, the energy efficiency of product transportation. We recently worked with AT&T, one of our network equipment customers, to improve packaging for plug-in cards used in their network. These cards were previously placed in an inner box that was then placed with paper informational materials in an outer shipping box. Process changes were made to maintain the informational materials electronically, thereby eliminating the paper and, more importantly, the extra shipping box. These changes also increased the number of boxes on a pallet by 130%, improving the overall transportation cube utilization.

Product materials content

In 2014, Alcatel-Lucent delivered 170,202 metric tons of equipment to market. We analyze the composition of our products' component materials and recycled content to ensure they make the most efficient use of materials.

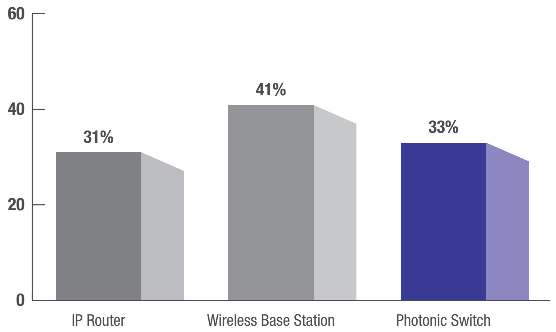
The following are materials content examples for our finished products:

Product Materials Breakdown (Typical Configuration)



We work closely with our components and materials suppliers to use a high percentage of recycled input materials in raw materials processing and manufacturing. The following shows the percentage of recycled metals typically contained within our feedstock materials:

Percentage of recycled metals in product
Typical configuration



Restricted substances

Our EHS policies outline global mandates, requirements and standards related to the use of hazardous substances. We also maintain similar standards for our suppliers: our contracts include clauses mandating specific requirements for substances that are banned, restricted, to be avoided or reportable to us. (For further information, please refer in this chapter to Section 4.4.3 "Responsible purchasing".)

We maintain a detailed five-year roadmap on substances we may target for banning based on future regulatory trends and proactive voluntary actions. We regularly update our hazardous substances requirements to include new requirements and targets. For example:

- **Polyvinyl chloride (PVC)**

  We have voluntarily reduced our use of PVC over the last several years in recognition of its associated environmental and human health risks. By the end of 2015, our goal is to eliminate PVC from our products where it is technically, economically and environmentally feasible. Though there are challenges with PVC elimination when applied to network infrastructure equipment, we are aggressively taking action on multiple fronts, including R&D, supplier/industry partnerships, and advocating with customers and standards-development organizations.

- **Lead**

  Our products are fully compliant with the requirements for lead as specified in the Restriction of Certain Hazardous Substances (RoHS) Directive and the Restriction, Evaluation and Authorisation of Chemicals (REACH) Regulation. We have adopted this EU-focused compliance globally — and all new network infrastructure products implemented since 2010 have been lead-free soldered by design, well in advance of the expiration of the RoHS lead-in-solder exemption for network infrastructure equipment. That said, some lead is still used in solder in special cases, such as the repair of installed equipment and for legacy products as allowed by regulations.

- **Halogen**

  We continue our participation in consortia that investigate halogen-free printed wiring board materials for lead-free assembly, compatibility and reliability.

We invest in R&D, partnerships and externally funded projects to identify and evaluate alternative materials with reduced environmental impact (whether through reduced toxicity or prolonged product life cycle). These include, for example, PVC alternatives, halogen- and lead-free materials, fluxes and corrosion protection. In addition, our history of leading-edge, lead-free R&D — both internally and via industry partnerships — has been crucial in establishing a critical understanding of lead-free assembly reliability and addressing key risk areas such as device attachment, surface finishes, solder alloys and tin whiskers.

R&D projects in this area include collaboration with Tier 1 contract manufacturers (EMS), component and material suppliers, industry consortia (e.g., iNEMI, UNOVIS AREA, HDPUG) and universities. These collaborations ensure to leverage the broadest and deepest possible technical perspectives, to help industry to progress and change in reducing the environmental impact of electronics products and materials.

Product energy efficiency

Given the anticipated rise in greenhouse gas emissions by the Information & Communications Technology (ICT) sector in the coming years, Alcatel-Lucent is relentlessly striving to reduce the environmental impact of its products and solutions. Numerous initiatives are underway to not only increase the energy efficiency of our products and solutions but also to decrease our total carbon footprint through more eco-efficient product design and optimized product development, with a significant focus being placed on implementing more energy saving features and eco-friendly production processes.

- **Fixed networks**

  Our commitment to developing energy efficient products in the fixed access domain is demonstrated in our annual

Broadband Code of Conduct report, in which all products in this area had power consumption below the targets for their relevant tiers set by the European Commission Joint Research Center. We can achieve such targets by leveraging both the hardware and software on which our equipment run. In addition, we design the most critical components and chipsets in-house to ensure built-in innovation, sustainability and market differentiation, and we partner with key component suppliers for less critical components. Our green DSL platform, which is based on the three power modes defined by the ITU (full power, low power and sleep mode) and utilizes the Intelligent Services Access Manager (ISAM) to allow significant power savings in each ADSL2 / ADSL2plus port. Another example can be seen in our involvement with evolution of DSL networks are also driven by more-and-more small ISAM nodes closer to the subscribers. Alcatel-Lucent has built an optimum technology lowering power consumption for small VDSL2 Nodes by bringing a centralized packet treatment thus lowering the power consumption (such approach being only possible for small nodes). Also, for the coming G.fast standard, where we have played a key role in having low power-consumption techniques made standard for this new technology. Regarding PON networks, the main progress offered by Alcatel-Lucent is on dense GPON line cards; by doubling their density, we can drop the cards' power consumption per port without compromising the well-established GPON standard.

- **IP Routing**

  We have increased the energy efficiency of our 7750 Service Router (SR) platform by 25% between 2012 and 2014. Pioneering advances in power efficiency are incorporated into each member of the 7750 SR family, reducing the expense of both powering and cooling when compared to products that don't use our industry leading FP3 silicon technology. Combined with eco-sensitive manufacturing processes, careful materials selection and a view to sustainable product life cycle management, the 7750 SR family also helps service providers reduce their own environmental impact, with the FP3 cutting power consumption per packet processed by 50% compared to the FP2 previous generation. Power savings at the chip level are achieved using the 40 nm process and by expanding clock gating over a wider part of the devices. With its industry leading performance and low power consumption, FP3 is a key building block for the continued evolution of the Service Router product portfolio.

- **IP transport**

  Between 2012 and 2014, the energy efficiency of the 1830 Photonic Service Switch (PSS) platform has increased from 43% up to 108% on the 6 most representative configurations tested. The 1830 PSS is a metro, regional and long-haul dense wavelength division multiplexing (DWDM) platform. Optical and electrical cross-layer functionality allows for traffic forwarding to the most economical layer for improved resource optimization and the lowest power consumption. At the heart of this platform is the Photonic Service Engine which enables high-performance 100G and an evolutionary path to 400G transport. Leveraging an intelligent control plane and integrated data, control and management planes, the 1830 PSS simplifies network management for maximum multilayer performance and efficiency. The new 200 gigabit per second single carrier line card, meanwhile, provides twice the bandwidth in the same footprint without increasing power requirements.

- **IP platforms**

  The consolidation of four IMS network elements — 5420 CTS, 5420 SCG, 5450 ISC and 5060 MGC-8 — into one multi-tenancy shared chassis supported by a virtualized platform has resulted in an energy efficiency increase of 45%. Combining these applications in a single environment — while still supporting the same number of subscribers and overall performance — has also translated into a 72% floor space gain.

- **Wireless networks**

  We have developed a holistic approach to increasing the energy efficiency of our radio access portfolio. At the site and system architecture levels, we promote the implementation of distributed site architectures based on remote radio head and the deployment of heterogeneous networks, leveraging features that can switch macro cell carriers or small cells on or off depending on traffic load. At the product design level, our macro base station radio modules can adjust power consumption based on traffic load. Energy efficiency also drives our small cell product designs. We focus on identifying energy-efficient hardware architectures, selecting components with low power consumption and providing increased functionality for similar power-consumption level.

In April last year, Bell Labs launched an application that models energy consumption of ICT networks. The GWATT (Global 'What if' Analyzer of NeTwork Energy ConsumpTion — http://www.gwatt.net) application is a thought-stimulating tool that is intended to drive intelligent dialogue about the sustainability potential of new technologies and the relative importance of different architectures and technologies on end-to-end energy consumption. It is based on forecasts and network modeling from:

- Bell Labs networking and technology leaders,
- an independent consortia including GreenTouch (http://www.greentouch.org),
- Cisco VNI,
- and the Global e-Sustainability Initiative (GeSI) (http://gesi.org/).

Since then, over 4,000 users have accessed the GWATT application and nearly 1,000 have used it to forecast the effect of future traffic projection on energy consumption. Learn more: White paper GWATT (https://media-bell-labs-com.s3.amazonaws.com/pages/20150114_1907/ GWATT_WhitePaper.pdf).

Facilities

Electricity accounts for 82% of our worldwide operational carbon footprint. In 2014, we reduced our electricity consumption by 7%, with an associated 8% reduction in CO_2e, from the previous year. We will continue to implement projects and invest in our facilities to achieve ongoing energy reductions.

Energy optimization projects

We have made several major capital investments to further reduce energy consumption and related emissions in our buildings. In 2014, various energy optimization projects were underway or completed in of our largest facilities, including projects related to efficient illumination, occupancy sensors, time-of-day adjustments and alternative energy use.

Use of alternative energy

Approximately 22% of our electrical power now comes from renewable sources — and we are committed to further expanding our use of this type of energy. In Belgium, Austria and Switzerland, 92% of the electricity we purchase (based on total building area) comes from hydroelectric sources. As availability and financial conditions warrant, we will expand our direct purchases of renewable energy.

Conserving water

We measure water consumption and have reduced our water use by 45% since 2007, associated with a 9% reduction from 2013 level.

On a worldwide basis, consumed water per employee has been reduced by 6% from 2013.

Based on our determination that a more robust water-monitoring program is needed within our facilities, we are in the process of issuing revised internal guidelines that will establish specific timelines for:

- installing sub-meters within targeted facilities,
- tracking water consumption by usage category (i.e., domestic, irrigation, process) and facility type (i.e., office, laboratory, warehouse, manufacturing).

4.2.4 Impacts of our products on health and safety

Alcatel-Lucent is committed to meeting the needs of its customers and ensuring the safety of its employees and the general public. We assess the health and safety impacts of all our products at all stages of their life cycles. During the design phase, we work with suppliers to avoid the use of hazardous materials. We ensure that all materials are prepared for transportation according to nationally or internationally accepted regulations. Our technical documentation provides specific guidance for the safe use of our products, and mandatory training for Alcatel-Lucent Services personnel covers a range of topics to ensure a safe workplace.

Additionally, all Alcatel-Lucent products that emit radio frequency (RF) energy must comply with country-specific regulations for human exposure to RF emissions in the manufacturing and product-use phases. Compliance is determined either by analytical assessment or measurement of propagated RF energy. Finally, our company requirement dictates that all electronic waste is shipped to processing facilities that have passed our EHS liability assessment. Unless otherwise specified, all electronic waste is processed to recover as much of its recyclable material as possible.

Safety within the electromagnetic environment

We closely follow health and regulatory issues related to wireless communications, including those associated with the electromagnetic environment. This effort has been recognized by third parties such as the Dow Jones Sustainability Index, which since 2006 has assigned Alcatel-Lucent the highest score achievable in the electromagnetic fields category. We actively contribute to the international standardization bodies that develop exposure assessment standards. We ensure that our product portfolio — including macro cells, small cells and Wi-Fi — complies with national and international standards and regulations on RF exposure.

Our position regarding the human exposure to RF transmissions is based on the opinion of more than 150 expert committees mandated by national and international authorities to assess the advancement of scientific knowledge. All have been consistent in concluding there is no established health effect from exposure to RF fields below the limits set by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), the international commissions recognized by the World Health Organization (WHO) or similar recommendations from the Institute of Electrical and Electronics Engineers (IEEE).

As described in the WHO's Fact Sheet 304: "Considering the very low exposure levels and research results collected to date, there is no convincing scientific evidence that the weak radio frequency signals from base stations and wireless networks cause adverse health effects." This statement applies to all mobile and wireless network technologies implemented by Alcatel-Lucent, including CDMA, GSM, W-CDMA/UMTS, LTE and Wi-Fi.

Harmonizing RF exposure limits

We track the evolution of the scientific knowledge on which present exposure limits are based. Expert committees such as Europe's Scientific Committee on Emerging and Newly Identified Health Risks conclude there is no established health effect at exposure levels below the guidelines developed by ICNIRP.

Contributing to international standardization initiatives

We support the development of global standards for exposure assessment through international standardization bodies and industry associations such as the GSM Association. We contribute in particular to the International Electrotechnical Commission (IEC), the International Telecommunication Union (ITU) and the European Committee for Electrotechnical Standardization (CENELEC).

4.2.5 Green innovation

Alcatel-Lucent's research division, Bell Labs, recognizes that network energy consumption is one of the major industrial challenges facing customers and the ICT industry at large. With exponential traffic growth predicted for communication networks — accompanied by increased energy costs — service providers' operational expenses will increase significantly without the development of new, energy-efficient technologies. A further concern is access to stable, reliable power — which cannot be taken for granted in the case of off-grid or poor-grid deployments in developing countries and rural areas, or where massive deployments of network equipment like small cells present significant operational challenges and expenses.

Bell Labs' Network Energy Research program focuses on optimizing network energy utilization, and on developing innovative solutions for Alcatel-Lucent products in the near, medium and long terms. The program's research efforts span all major areas of the network including wireless and fixed access, metro and core networks, and optical transmission. The Energy Research program investigates technologies, architectures and solutions that:

- reduce required energy per bit (i.e., increase energy efficiency) for data transmission, processing or storage;
- reduce power wastage from inefficiencies and overhead (for example, through more efficient thermal management and cooling);
- enable off-grid deployments through new energy harvesting solutions and high-density energy storage technologies.

The research program also investigates innovative applications of ICT technologies such as connected and smart city applications (e.g., smart grids and electric mobility).

Given that network energy consumption affects the entire ICT industry, Bell Labs' vision is based on extensive collaboration with service providers, equipment manufacturers, utility companies and academics. This collaboration is at the core of the GreenTouch consortium, which was founded in 2010. The GreenTouch Consortium that Bell Labs initiated is a Global Research creating a technology roadmap to make telecoms networks up to 1,000 times more energy efficient with 48 member organizations. GreenTouch will demonstrate its results in June 2015 in a worldwide event.

Innovation highlights resulting from GreenTouch and other activities

- More than 50 Bell Labs scientists, researchers and engineers around the world are working on green research projects, collaborating with more than 50 other companies, research institutes and universities within the GreenTouch consortium and on bilateral bases.
- We remain strongly committed to partnerships with universities around the world. In particular, Bell Labs continues to build its strategic collaboration with the Centre for Energy Efficient Telecommunications (CEET) at the University of Melbourne.
- 10% of Bell Labs patents are dedicated to energy-related and green innovations.
- The GreenTouch consortium released and publicly demonstrated two new technologies in November 2014 — an energy-optimized optical transceiver and a virtual home gateway. It is estimated these will reduce overall residential and enterprise energy consumption in wireline access networks by 46%.

4.2.6 Climate change

Tracking and reporting on carbon emissions

We have made a commitment to reduce our absolute carbon footprint (CO_2e) from our Scope 1 and Scope 2 operations by 50% by 2020 (compared to our 2008 baseline). According to the 2014 operational data available at the time of the filing of this document, the carbon footprint associated with our operations showed an approximate 40% reduction from 2008 levels.

For further information, please refer in this chapter to Section 4.2.8 "Environment indicators".

Greenhouse Gas Protocol

Alcatel-Lucent reports emissions from all sources, including facilities, fleet operations, mobile sources of combustion and all other Scope 1 and 2 sources that result directly from business operations. We also report Scope 3 emissions from outsourced activities such as leased vehicles and vessels, product logistics, company business travel, contract manufacturing, employee commuting, purchased goods and services, and product use.

We follow the Greenhouse Gas Protocol (GHGP) to determine which elements to measure and report on. At this point we are reporting on 10 of the 15 GHGP categories. Based on our current business activities, three of the categories are not applicable to Alcatel-Lucent and we continue to assess the remaining two categories for our ability to capture and publish meaningful data.

Carbon Disclosure Project

In 2014, Alcatel-Lucent participated in the Carbon Disclosure Project's supply chain and investor questionnaires, scoring 97 out of a possible 100 points on "disclosure" and being assigned the B band on "performance".

We also invested in an enterprise carbon accounting tool in 2011 that helped streamline and automate our GHG data-collection process, identify additional opportunities for reductions and reveal best practices for reducing the carbon footprint of our operations and supply chain partners. All of this has helped maintain our leadership position in carbon footprint measurement and reporting.

4.2.7 Biodiversity protection

On the ground

Alcatel-Lucent continues to assess its real estate portfolio, creating natural habitat enhancements at company-owned locations and for remediation/cleanup projects.

Under the sea

We ensure that when we lay submarine cable on the ocean floor, we comply with specific environmental standards and obtain all necessary permits from authorities. The cables we lay are small — about 17 mm in diameter — and are designed to have no impact on the environment.

4.2.8 Environmental indicators

Definitions and methodology

Our 2014 energy and water consumption, carbon footprint assessment and waste-generation reporting perimeter includes all sites owned or leased by Alcatel-Lucent as of December 2014.

For the 2014 assessment, 222 facilities were directly responsible for managing energy and water consumption along with the carbon footprint assessment at their particular site. Sites with direct facility data input responsibility accounted for 86% of the total average annual real estate building area and 81% of the total average annual Alcatel-Lucent headcount. In order to have environmental indicators accounting for 100% of our employees, extrapolation procedures were applied based on calculated ratios per area. We continue to attempt to obtain utility information from landlords in leased situations where the utility usage can be allocated accurately to our leased space (for example, via a separate electric meter). If such information cannot be obtained, electricity and/or natural gas usage is estimated utilizing “energy intensity” factors as stipulated within our EHS Program Reporting Plan.

For the 2014 assessment, 203 facilities were directly responsible for managing waste-generation reporting at their particular site. Sites with direct facility waste data input responsibility accounted for 81% of the total Alcatel-Lucent headcount.

From this scope, the number of facilities that reported effectively resulted in the following corresponding percentages of total Alcatel-Lucent employees.

- **Energy consumption and CO_2e emissions**

  222 sites (accounting for 81% of our employees) provided actual facility-specific energy consumption and CO_2e emissions information. This included inputting utility billings, fuel purchases and emitted GHG chemical emissions data directly entered into a web-based tool by facility personnel. To account for 100% of our employees, facility energy consumption usage and CO_2e emissions estimation algorithms were employed for sites that could not obtain such information. In addition, fuel usage data for marine vessels, along with fuel and mileage data for leased automobiles were obtained to account for 100% of worldwide Alcatel-Lucent mobile source operations.

- **Water consumption**

  112 sites (accounting for 66% of our employees) provided water usage information. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- **Hazardous waste production**

  84 sites (accounting for 61% of our employees) provided information on hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- **Non-hazardous waste production**

  68 sites (accounting for 54% of our employees) provided information on non-hazardous waste production. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

- **Waste electrical and electronic equipment production**

  188 sites (accounting for 64% of our employees) provided information on waste electrical and electronic equipment. To account for 100% of our employees, extrapolation procedures were applied based on calculated ratios per employee.

The EHS Reporting Protocol is available upon request at: sustainability@alcatel-lucent.com.

Evolution in 2014

All facilities that were able to obtain energy usage information, regardless of building area or employee headcount, were required to participate using a web-based tool. As a result, more actual facility operational data were obtained, requiring less estimation to obtain 100% company-wide assessment.

By consolidating facilities to utilize resources more efficiently — in combination with our efforts to implement energy efficiency projects and conduct energy efficiency awareness programs for employees — we have achieved a 10% reduction in total CO_2e emissions from our facilities compared to 2013 levels. This decrease is the direct result of a 1 % reduction in energy use per square meter of building space.

2014 environmental indicators

	Units	2012	2013	2014	2014 Perimeter
Carbon Footprint Assessment: Worldwide Operations (1)					
Scope 1 (18)					
Stationary source fuel combustion	t CO_2e(4)	56,540	44,816	34,948	100%
Mobile source fuel combustion	t CO_2e(4)	66,292	63,036	47,116	100%
Facility and mobile source refrigerant losses	t CO_2e(4)	4,070	4,041	732	100%
Direct emissions of GHGs from manufacturing, R&D and product development	t CO_2e(4)	237	76	111	100%
Fire suppression system losses	t CO_2e(4)	1	1,190	1	100%
TOTAL				**82,908**	**100%**
Scope 2 (18)					
Electricity usage	t CO_2e(4)	448,788	439,175	403,857	100%
Purchased hot water/steam	t CO_2e(4)	8,356	7,356	6,079	100%
Purchased chilled water	t CO_2e(4)	50	47	36	100%
TOTAL				**409,973**	**100%**
Scope 3 (2)					
Contracted manufacturing services (15, 16)	t CO_2e(4,15)	218,328	2,937,000	2,831,000	100%
Contracted marine services	t CO_2e(4)	71,668	76,765	61,881	100%
Purchased paper (7)	t CO_2e(4)	1,371	854	575	100%
Fuel- and energy-related activities not included in Scope 1 and 2	t CO_2e(4)	58,208	29,208	30,637	100%
Upstream transportation and distribution (8)	t CO_2e(4)	171,474	145,191	111,565	100%
Waste generated in operations (9)	t CO_2e(4)	935	792	817	
Business travel	t CO_2e(4)	76,790	68,378	73,574	100%
Employee commuting	t CO_2e(4)	190,141	130,173	115,741	100%
Downstream transportation and distribution (8)	t CO_2e(4)	5,303	3,966	3,106	100%
Use of sold products (16)	t CO_2e(4)	N/A	26,436,000	25,483,000	100%
End-of-life treatment of sold products (10, 16)	t CO_2e(4)	N/A	(294,000)	(283,000)	100%
TOTAL				**28,428,896**	**100%**
TOTAL (Scope 1 + 2 + 3)	**t CO_2e(4)**	**N/A**	**35,484,065**	**28,921,777**	**100%**

	Units	2012	2013	2014	2014 Perimeter
Carbon Footprint Assessment: Facility Operations Only (1,5,18)					
Indirect emissions of CO_{2e}, linked to consumed electricity	kt CO_2e(3)	449	439	404	100%
Indirect emissions of CO_2e per employee	t CO_2e(4)	6	7	6	100%
Direct emissions of CO_2e, linked to consumed fossil energy	kt CO_2e(3)	62	50	38	100%
Direct emissions of CO_2e per employee	t CO_2e(4)	1	1	1	100%
Total emissions of CO_2e	**kt CO_2e(3)**	**519**	**496**	**448**	**100%**
Total emissions of CO_2e per employee	**t CO_2e(4)**	**7**	**7**	**7**	**100%**
Consumed Energy: Facility Operations Only (1,5,18)					
Consumed electricity	GWh	958	915	856	100%
Consumed electricity by employee	MWh	13	14	13	100%
Consumed fossil energy	GWh	328	261	201	100%
Consumed fossil energy by employee	MWh	5	4	3	100%
Total consumed energy	**GWh**	**1,323**	**1,209**	**1,083**	**100%**
Total consumed energy by employee	**MWh**	**18**	**18**	**17**	**100%**
Carbon Footprint Assessment: Worldwide Scope 1 and Scope 2 (1,6,18)					
Indirect emissions of CO_2e, worldwide Scope 2 operations	kt CO_2e(3)	457	447	410	100%
Indirect emissions of CO_2e per employee	t CO_2e(4)	6	7	6	100%
Direct emissions of CO_2e, worldwide Scope 1 operations	kt CO_2e(3)	127	113	83	100%
Direct emissions of CO_2e per employee	t CO_2e(4)	2	2	1	100%
Total emissions of CO_2e	**kt CO_2e(3)**	**584**	**560**	**493**	**100%**
Total emissions of CO_2e per employee	**t CO_2e(4)**	**8**	**8**	**8**	**100%**
Consumed Energy: Worldwide Scope 1 and Scope 2 (1,6,18)					
Purchased electricity, worldwide Scope 2 operations	GWh	958	915	856	100%
Purchased electricity by employee	MWh	13	14	13	100%
Total purchased, worldwide Scope 2 operations	**GWh**	**955**	**948**	**883**	**100%**
Total consumed Scope 2 energy by employee	**MWh**	**14**	**14**	**14**	**100%**
Consumed fossil energy, worldwide Scope 1 operations	GWh	581	427	369	100%
Total consumed Scope 1 energy by employee	**MWh**	**8**	**6**	**6**	**100%**
Total consumed energy, worldwide Scope 1 and 2 operations	**GWh**	**1,576**	**1,375**	**1,252**	**100%**
Total consumed energy by employee	**MWh**	**22**	**21**	**20**	**100%**

	Units	2012	2013	2014	2014 Perimeter
Water and Wastes (17,19)					
Consumed water	m^3	2,565,582	2,123,851	1,923,667	100%
Consumed water per employee	m^3	37	32	30	100%
Production of hazardous waste	t	1,061	1,024	677	100%
Production of hazardous waste per employee	kg	15	15	11	100%
Percentage of hazardous waste recycled (11)	%	68	74	74	100%
Production of non-hazardous waste	t	16,453	15,896	16,600	100%
Production of non-hazardous waste per employee	kg	227	239	260	100%
Percentage of non-hazardous waste recycled (11)	%	71	62	77	100%
Production of Waste Electrical & Electronic Equipment (WEEE) (12)	t	7,481	7,463	5,825	100%
Percentage of WEEE recycled/reused	%	97	97	96	100%
Other Emissions					
Solvents				No significant quantities, indicator not relevant and not consolidated	
Halogenated hydrocarbon				No significant quantities, indicator not relevant and not consolidated	
Discharge into water (heavy metals)				No significant quantities, indicator not relevant and not consolidated	
Ozone-depleting substances				No significant quantities, indicator not relevant and not consolidated	
NOx, SOx and other criteria air contaminants (13)	tonnes	116	80	61	100%
Miscellaneous					
Alcatel-Lucent headcount, ISO 14001 certified	%	43	48.36	43.88	100%
New products covered by ecodeclarations (14)	%	100	100	100	100%
Two major platforms covered by functional energy efficiency improvement	%	25	NA	25	100%
Bell Labs patents dedicated to energy-related and green innovations	%	NA	10	10	100%

(1) Emission factors based on initial values issued by IPCC (the Intergovernmental Panel on Climate Change) and kept constant for data consistency.

(2) The presentation of our Scope 3 indicators follows the categories and guidance provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard, published in November 2011.

(3) kt CO_2e: Metric kilotons of CO_2 equivalency (includes the following GHGs: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs).

(4) t CO_2e: Metric tons of CO_2 equivalency (includes the following GHGs: CO_2, CH_4, N_2O, SF_6, HFCs and PFCs).

(5) CO_2e values include Scope 1 and Scope 2 emissions for facility operations only (includes facility mobile combustion).

(6) Complete Scope 1 and 2 activities worldwide.

(7) Purchased paper includes 100% of paper used in operations and purchased under corporate contract; does not include externally printed marketing collateral.

(8) Product transport includes 100% of emissions from air and marine transport worldwide, and truck transport from available areas.

(9) Energy usage at environmental remediation sites.

(10) Recycled electronic equipment.

(11) Recycled: not released in a landfill or not burned without energy recovery.

(12) WEEE data includes electronic waste generated by Alcatel-Lucent operations and WEEE takeback. Not reported as production per employee since production includes takeback.

(13) Products of combustion from facility stationary operations.

(14) Associated with new products released during the cited year.

(15) Contracted manufacturing services calculation procedure was revised in 2013 to include all production activities

(16) 2013 data are restated for the disposal of our Enterprise activities and for corrected equipment delivery to market

(17) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied using a site-specific monthly headcount assessment. This calculation procedure results in a higher overall headcount then the total headcount as of December 31 (disclosed in the 4.3.8 Social indicators section of the present chapter).

(18) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied. Sites with direct input responsibility account for 86% of the total average annual real estate building area and 81% of the total average annual Alcatel-Lucent headcount.

(19) To account for 100% of Alcatel-Lucent employees, extrapolation procedures were applied.

- *Water consumption - Sites with direct input responsibility account for 66% of our employees.*
- *Hazardous waste production - Sites with direct input responsibility account for 61% of our employees.*
- *Non-hazardous waste production - Sites with direct input responsibility account for 54% of our employees.*
- *Waste electrical and electronic equipment production - Sites with direct input responsibility account for 64% of our employees.*

Direct energy consumption by primary energy source

TOTAL DIRECT ENERGY CONSUMPTION	Amount	Units	tCO_2e	MWh
By non-renewable primary energy sources				
Facility operations: Coal gas	201	MWh	32	201
Facility operations: Distillate fuel oil (#1, 2, 4 and diesel)	502,827	l	1,361	5,000
Facility operations: Natural gas	184,809	MWh	33,522	184,809
Facility operations: Propane	21,742	l	33	142
Facility operations: Residual fuel oil (#5, 6)	0	l	0	0
Facility mobile sources: CNG	1	kg	0	0
Facility mobile sources: Diesel	403,987	l	1,099	4,018
Facility mobile sources: Gasoline	688,098	l	1,610	6,185
Facility mobile sources: LNG	0	l	0	0
Facility mobile sources: Propane	80,949	l	124	528
TOTAL non-renewable primary energy sources			**37,781**	**200,883**
By renewable primary source				
Facility mobile sources: Ethanol	388	l	1	2
GRAND TOTAL			**37,782**	**200,885**

Indirect energy consumption by primary source

TOTAL INDIRECT ENERGY CONSUMPTION	Total MWh	Renewable MWh	Non-renewable MWh
Purchased hot water/steam	26,833	11,259	15,574
Purchased chilled water	42	6	36
Purchased electricity	855,732	190,029	665,704
TOTAL	**882,607**	**201,294**	**681,313**

4.3 Human resources

Our human resources policies and practices ensure that the ongoing transformation of Alcatel-Lucent is aligned with changes affecting our customers, markets and the world at large.

Because we operate worldwide and serve customers who do business on a global scale, our approach to human resources management and development is likewise global.

4.3.1 Employment

Employees

Our total worldwide employee headcount at the end of 2014 was 52,673.

The figures take into account all employees who worked for fully consolidated companies (including long-term absences/notice period) as well as for companies, in which we own 50% or more of the equity.

For further information, please refer in this chapter to Section 4.3.8 “Social indicators.”

Contractors and temporary workers

In 2014, the average number of contractors and temporary workers was 3,740 in the aggregate. The number of contractors is composed of employees of third parties performing work subcontracted by Alcatel-Lucent.

The number of temporary workers is, in general, composed of employees of third parties seconded to perform work at our premises due, for example, to a short-term shortfall in our employees or in the availability of a certain expertise.

4.3.2 Work organization and management

The Shift Plan

The Shift Plan is an industrial, operational and financial plan to refocus Alcatel-Lucent as a specialist in IP and cloud networking as well as ultra-broadband access, and to deliver innovation that shapes the future of the industry and ensures profitable growth. Launched in June 2013, The Shift Plan is three-year plan. It entails the following:

Industrial

The Shift Plan reflects fast-changing trends in the telecommunications industry, where service providers and large-scale Internet concerns handle ever-expanding volumes of data as the market migrates from networks built largely for voice communications. Under The Shift Plan, Alcatel-Lucent is adapting to the evolving market by placing its IP, cloud and ultra-broadband portfolio at the center of its operations. Alcatel-Lucent's Bell Labs will serve as the innovation engine to facilitate growth in these key areas. R&D will be concentrated on IP networking and ultra-broadband access; with an 8% increase in R&D from 2013 through 2015, these areas will represent 85% of our R&D investment in 2015. Our customer focus will be placed on new product and platforms for the most profitable market segments (including Tier 2 to Tier 4 service providers) and on addressing the telecommunications needs of web-scale and extra-large enterprise customers.

Financial

The Shift Plan aims to restore the company's profitability and competitiveness in the marketplace. This will include a reduction of its fixed-cost base by €1 billion between 2013 and 2015 through the adoption of direct-channel operations, a refocusing of R&D capacity, and the additional consolidation of sales, general and administration (SG&A) functions. Other actions will be undertaken to reduce the company's real estate footprint and drive efficiencies in project delivery, back-office IT systems, supply chain management, manufacturing and procurement.

These actions will lead to a reduction of 10,000 jobs by the end of 2015 (compared to a year-end 2013 baseline) distributed as follows: 4,100 positions in Europe, Middle East and Africa; 3,800 in Asia-Pacific; and 2,100 in the Americas.

Further exceptional cash inflows of at least €1 billion are expected from the selective monetization of assets, including potential disposals, over the period of The Shift Plan. On a cash basis, The Shift Plan is expected to be self-funding over the 2013–2015 period. The plan also includes a €2 billion reprofiling of the company's debt over 2013–2015 by actively capitalizing on attractive international debt market opportunities. Once the company has clearly demonstrated the successful execution of The Shift Plan, it plans to seek a reduction of its debt by approximately €2 billion.

Operational

A new operating model has been put in place with full profit-and-loss (P&L) and cash accountability for businesses.

Since the launch of The Shift Plan, four employee surveys have been conducted, Two of them were performed in 2014 (February and June) to measure the extent to which employees understood and embraced The Shift Plan. The result of the latest survey is that 58% of respondents said the company's new operating model and the business benefits of its new direction were clear, they understood how to prioritize their work, and they had access to all the necessary information about The Shift Plan.

2014 highlights

The 2014 targets of the Performance Program have been replaced by new targets as part of The Shift Plan. At the end of 2014, the company is fully on track to achieve its 2015 targets as part of The Shift Plan:

- with regard to the headcount reductions envisaged by The Shift Plan, the process of distributing information to and negotiating with the unions is ongoing and we are on track with our target. At the end of 2014, our workforce comprised 52,673 people, a decrease of 6,843 compared to the previous year, taking into account the sale of our Enterprise activities;
- Alcatel-Lucent has been repositioned as a specialist of IP and cloud networking along with ultra-broadband fixed and mobile access, with key wins and market share gains in these areas;
- fixed costs savings for the year were €340 million, of which €30 million was in Q4, in line the €340 million target for the year as a whole;
- LGS Innovations LLC was sold to Madison Dearborn Partners and CoVant on March 31, while Alcatel-Lucent Enterprise was sold to China Huaxin on September 30;
- a strategic partnership for cyber security services was finalized with Thales on December 31;
- our balance sheet has been strengthened, with 2014 closing on a net cash position of €326 million;
- early repayment of the senior secured loan taken out in January 2013; and
- debt reprofiling has been fully completed.

For further information, please refer to Section 6.8 "Strategy and outlook through 2015" of the 2014 Annual Report on Form 20-F.

Strategic workforce planning

In 2014, we continued The Shift Plan, our three-year plan launched in 2013. The strategic workforce planning is the operational execution of the strategic direction in terms of workforce evolution. Its targets have been defined for the workforce necessary to execute our business strategy in the context of The Shift Plan. For further information, please refer in this chapter to Section 4.3.2 work organization and management — The Shift Plan.

We continue to strengthen our capacity for short- and long-term workforce planning across the different business segments of the company. With respect to our product portfolio and financial performance, it is strategically essential that we align our workforce by:

- translating the strategic Shift Plan into an executable workforce plan;
- adopting a bottom up approach that takes into account country legal and social constraints as well as business needs, in order to reach a realistic, feasible strategic workforce planning implementation in the countries we operate;
- controlling and monitoring the country net headcount evolution by means of variations such as recruitment, attrition, transfer, mobility;
- planning our headcounts geographic distribution for the future, in a consistent manner at global, country and sites levels and in line with the company real estate plan.

Internal mobility

Providing employees the opportunity to explore new career opportunities and pursue professional development in leading-edge technology is essential to building and retaining our talent. By increasing the visibility of the skills and competencies required for career growth and advancement within Alcatel-Lucent, the Internal Job Opportunity Market creates an open and fair internal market for employees seeking roles that best fit their skills, competencies and motivations. Increased access to employee profiles that highlight key skills and competencies also allows more employees to be considered for new projects and opportunities. Since its launch in 2011, the Internal Job Opportunity Market has been a successful talent sourcing program and tool that has allowed us to build the pipeline of qualified internal resources required to fill many of our roles internally across the globe.

Accompanied by platform upgrades, regional job market newsletters, a dedicated recruiting team and ongoing talent discussions with employees, the Internal Job Opportunity Market has resulted in multiple success stories across all regions in which we operate.

Leadership Pipeline

Alcatel-Lucent continues to invest in the identification and development of leadership potential. In 2014, we refocused and completed business talent reviews to identify future leaders and refresh our existing pipeline of high-potential talents (Emerging Leaders, High Potentials and Future Top leaders). A total of 1,045 future leaders and 2,756 critical talents were identified to support the company’s talent needs moving forward.

Focusing on preparing future leaders and bringing diversity to the company’s Top 200 leadership roles, the Leadership Pipeline relies on three pillars:

- the identification of leadership talent in a consistent way across the company;
- the movement of talent across geographical, functional or business boundaries;
- the development of leaders using a broad variety of methods.

Human resources professionals, in partnership with their business leaders, ensure the execution of this strategy by supporting managers and talents through the identification, movement and development phases.

Alcatel-Lucent’s leadership development offer was redesigned in 2013 to better address the company’s short- and long-term needs. In 2014, 75 future leaders attended customized and dedicated development tracks focusing on the company’s business needs as well as the individual’s leadership-development needs, preparing them to take on bigger leadership roles.

Performance management

The Alcatel-Lucent performance-management process, OurTalent Dialogue, focuses on the importance of continuous, person-to-person dialogue between managers and employees to support direction setting, goal clarity and performance feedback. This allows employees to drive their own performance and manage their career development in alignment with the company’s business strategy. The performance management approach also provides for employees to have continuing conversations with their managers on developmental areas to ensure continued growth and to manage their career development. In 2013, we launched an additional review of our Top 200 leaders, seeking to improve their level of awareness of The Shift Plan and help them evaluate their needs to assist Alcatel-Lucent in achieving its short- and long-term objectives.

In 2014, we implemented a targeted learning approach for our People Managers to ensure further skill growth in the areas of direction setting, coaching, motivating, managing performance and leading change. This learning effort will continue throughout 2015. Our performance-management approach will continue to support managers to ensure a better understanding of the linkages between management and leadership attributes — and how they promote explicit and open accountability to further ensure employee performance and engagement.

Compensation

Our policy is for all employees to be fairly paid regardless of gender, ethnic origin or disability.

We remain committed to providing our employees with a competitive compensation package in line with those of other major companies in the technology sector. We place particular emphasis on ensuring the development of our employees, rewarding the skills that drive innovation and ensuring long-term employee engagement through appropriate policies, processes and recognition tools.

Our compensation strategy also aligns with The Shift Plan and strives to strike a balance among the following elements: Speed, simplicity, trust and accountability. This includes the implementation of common bonus plans, sales incentives and equity grants to ensure a consistent, global approach to compensation; the clear communication of performance achievement levels and policies; and having employees set and review yearly performance targets with their managers.

In 2014, a new variable incentive plan (excluding the sales population) was implemented featuring corporate, business unit and individual key performance indicators to enable employees to have greater visibility into and influence over their achievement and rewards.

The grants of long-term incentives (that is, stock options and performance shares) are decided by our Board of Directors upon recommendation of the Compensation Committee. Their implementation serves several purposes, including:

- involving employees in Alcatel-Lucent's results and in the achievement of The Shift Plan;
- encouraging and rewarding performance;
- attracting and retaining talent in a highly competitive industry where quality and employee motivation are key factors for success

Employees benefiting from equity may dispose of the shares and/or options at the end of the vesting or acquisition period to the extent the presence and/or the performance conditions are met.

Employee compensation evolution (that is, wages and salaries) over the last three years is set forth in Note 23 to our consolidated financial statements.

Teleworking

Teleworking reduces commuting time and costs, real estate costs, operating expenses and our overall environmental impact.

To demonstrate our support for an agile workforce and a better work/life balance for our employees, teleworking policies have been put in place across all regions in Alcatel-Lucent. We have been working with our main trade unions in Europe since 2008 to define collective agreements on teleworking. As a result, employees in France, Belgium, Spain, Italy and Germany, for example, may telework if an organizational analysis of the employee's job activities is positive and there is mutual agreement between the employee, his/her manager and the HR function.

During the last two years, we extended the number of countries with teleworking policies by defining agreements across the Middle East, Africa and Asia-Pacific, including in China and India. Building on our expanded teleworking deployments, a global teleworking policy was developed in 2013, respecting all local laws in this matter.

Overall, 46% of our employees telework at least one day per week – and some countries have even higher rates, such as Netherland (83%), Argentina (69%), Belgium (68%), Australia (62%), the United States (61%), Mexico (56%), Spain (55%), France (55%) and the United Kingdom (47%).

Absenteeism

We track and manage employee absenteeism at the country level according to all relevant local legal requirements and regulations. This ensures the fastest, most appropriate actions can be taken to respond to fluctuations outside the norm for that country. At a global level, we publish the number of days of absence due to work-related accidents (including occupational diseases) per employee. For further information, please refer in this chapter to Section 4.3.8 "Social indicators".

In the context of The Shift Plan, since 2014, Human Resources have been implementing a new global, unified information system. Once this system will be in place, we will monitor and report more indicators related to the non-predictable absences that may have an economic impact for the company.

4.3.3 Social relationships

Organizations for social dialogue

We strive to foster an open dialogue with employees on the decisions that directly affect them. Discussions with employee representatives concerning organizational changes and workforce reductions are managed on a regional and/or country basis. During the launch of the Alcatel-Lucent Performance Program in 2012 and The Shift Plan in 2013, we regularly engaged with our social partners on the impact of these initiatives in full compliance with local rules and regulations. These discussions have continued throughout 2014 in conjunction with the ongoing implementation of The Shift Plan.

Dialogue with trade unions

We inform or consult with union representatives before making any major change in the organization. Matters affecting individuals, particularly those involving relocation or the transfer of work to a new location, may require up to six months of discussions.

European Committee

The European Committee for Information and Dialogue (ECID) is a dialogue body where senior management and European employee representatives can share their views. Composed of 30 members as well as a Coordinating Committee led by the ECID Secretary (France) and four other representatives (Germany, Italy, Belgium and Romania), the European Committee meets at least twice a year. In 2014, it met on April 2 and October 9 to discuss the implementation of The Shift Plan and the company's strategy in terms of competition and product lines. An extraordinary meeting was also held on May 16 to present to ECID the strategy for the Enterprise activities (Huaxin) and 2G/3G wireless business (HCL). In addition to these meeting with ECID, Alcatel-Lucent management and the Coordinating Committee met three times to discuss specific points such as the financial results for 2013 (February 5), the relations developed by the Group with Accenture and Wipro (March 4th), and the potential involvement of ECID members in the elaboration of our Sustainability Report (October 10).

French Committee

In France, a group-level committee representing unionized employees has been operating since 1981. Composed of 30 trade union representatives, the French Committee (Comité de Groupe France) meets at least twice a year; in 2014, it met on July 2 and December 9.

Review of collective agreements

Some of the major collective agreements signed in 2014 include the following.

France

- *Accord Handicap* is a three-year collective agreement (2014–2016) covering not only the employment of people with disabilities but also their day-to-day life inside the company. This agreement was signed on December 18, 2014, by all unions (CFDT, CFE-CGC, CGT).
- *Accord Egalité Professionnelle* is a two-year collective agreement (2014–2015) on gender diversity, helping women break through the "glass ceiling" while balancing their personal and professional lives. It was signed on July 3, 2014 by CFDT.

Netherlands

- Two collective bargaining agreements were signed in July 2014: Collective Bargaining Agreement on Employment Conditions (focusing on duration of Collective Bargaining Agreement, salary increases, salary ranges, vacation days, retirement, and illness and disability) and the Social Plan (redundancy plan).

Belgium

- Two collective bargaining agreements were signed in Belgium: one on April 9, 2014, regarding the collective bonuses in application of the National Collective Bargaining Agreement N°90, and another on October 13, 2014, implementing the use of electronic luncheon vouchers.

Italy

- Two agreements were signed in July 2014 on social tools: CIGS (Cassa Integrazione Straordinaria) and voluntary mobility.
- Three agreements were signed in July 2014 regarding the outsourcing of enterprise services (September, signed also with company executives), the outsourcing of the field force with Com.Tel (October) and the outsourcing of R&D OMSN with S.M. Optics (November, signed also with company executives).
- Two agreements were signed with Fondirigenti about financed trainings: one on October 30 for company executives and another on October 17 for all employees, including those on CIGS.

Spain

- A restructuring plan set for 2013 was extended on conditions and terms for 2014. The Comisión de Seguimiento (Monitoring Committee) established in collaboration with workers' representatives continued tracking headcount reductions set by Alcatel-Lucent's organizations, and they are looking also for alternatives for reallocating employees in the company. Close to 90% of employees concerned were internally reallocated. A first collective agreement was reached with workers' representatives for the legal entity ALUTECSS . Flexible work and teleworking policies were included in this agreement. An Equality Plan has also been set up in this legal entity.

United States

- On April 29, 2014, Alcatel-Lucent, USA Inc. entered into the Real Estate 2014 Effects Agreement with the Communication Workers of America (CWA). This provides certain benefits to eligible CWA-represented employees as a result of the outsourcing of real estate maintenance functions.
- On June 8, 2014, Alcatel-Lucent, USA Inc. entered into a new collective bargaining agreement with the CWA, valid from May 25, 2014, to May 26, 2018. This agreement covers wages, benefits and other conditions of employment for CWA-represented employees and includes the 2014 Installation Effects Agreement.
- On July 31, 2014, Alcatel-Lucent USA Inc. entered into a Postretirement Medical and Dental Benefits and Group Life Insurance for Retired Employees Extension Agreement with the CWA and the International Brotherhood of Electrical Workers (IBEW). This agreement, valid from 2017 through 2019, extended an existing Postretirement Medical and Dental Benefits memorandum while reducing the company subsidy by $40 million annually. It also extended the coverage provided under the Group Life Insurance Plan for Retired Employees until December 31, 2019.

Australia

- The major collective agreement currently in place is the EPA (Employment Partnership Agreement) of 2009. The EPA had a three-year term, which is automatically extended until a new EPA is signed. Negotiations for a new EPA commenced in 2013 between Alcatel-Lucent Company Bargaining Representatives (CBR's) and Employee Bargaining Representatives (EBR's), and have been ongoing to converge to an agreement.

Internal communication and dialogue

Motivated, committed employees are critical to the success of our business. Our high-performance, high-speed culture requires us to provide regular, up-to-date information to our workforce. We have put in place a variety of tools and programs to foster active, ongoing and targeted dialogue between management and employees to ensure everyone understands the company's priorities and how they can contribute to our overall objectives.

Supporting strong leadership

We hold an annual end-of-year leadership meeting that brings together 200 of our top leaders to review the strategy and goals for the coming year. The theme of the 2014 meeting, held in November in New Jersey, was "Inspire". In addition to this annual meeting, our CEO also holds monthly one-hour conference calls with our Top 200 leaders. The first half of each call is devoted to hot topics and the second half to live Q&A. Our CEO and other members of the leadership team also hold "all hands" or "town hall" meetings whenever they travel to different Alcatel-Lucent sites. These meetings allow employees to meet and ask questions to the company's top brass. Our CEO held more than 20 such meetings — in as many countries — in 2014.

The implementation of The Shift Plan in 2013 required line managers to play an even bigger role in driving their teams through change, supporting employee engagement and managing performance. In 2014, we started a company-wide People Managers Essentials Program. In addition to training and coaching sessions provided by Human Resources worldwide, we started building a communication platform dedicated solely to managers. It includes a digital "playbook" describing the roles and behaviors expected of Alcatel-Lucent managers, a monthly information bulletin, and a virtual community for managers to share best practices and dialogue with subject matter experts.

One of the many roles that managers play is to embody the company's corporate values of speed, simplicity, accountability and trust. In 2014, to help all employees better understand these values, we created an electronic digital "wall of values" featuring real examples of how employees are putting these values into action in their daily work as well as a quiz to test employees (in a fun way) on how well they know the values.

Communicating the progress of The Shift Plan

As 2014 was the second year of The Shift Plan's implementation, we continued to keep employees informed of its progress with monthly updates. In addition, from the "Results Delivery Office", we asked for employee feedback on their understanding of The Shift Plan through four six-question surveys throughout the first half of 2014. The results of these surveys helped us pinpoint areas that needed better explanation and adapt our communication accordingly. We also published an intranet feature article dedicated to *Alcatel-Lucent in Action* (http://in-action.alcatel-lucent.com/en), an online report that recapped a year of The Shift Plan in images, figures, videos and personal perspectives.

CEO Recognition Award

In 2014, we changed the application and selection process for our annual CEO Recognition Award when we posted the nearly 140 submissions to Engage, our social networking platform. Using Engage in this way allowed every employee to read, comment on and debate the submissions, and to vote for their favorite project directly. In total, nearly 15,000 employee votes were cast. Our CEO announced the winner from the top five employee-voted projects in a December ceremony that was broadcast on our newly upgraded audio/video webcasting platform. The ceremony combined live image feeds from four different Alcatel-Lucent locations on one screen.

An unexpected byproduct of the changes to the CEO Recognition Award process was that it activated some newfound employee interest in Engage, with many people logging onto Engage just to participate in the event. Our award-winning social networking platform now boasts more than 46,000 registered users who posted more than 39,000 documents, discussions and updates in 2014, including regular blog posts by our corporate HR director that were read by thousands of employees.

Communication on multiple platforms

We continue to offer the Text-Me SMS service, which was launched in 2013, to push timely information (on quarterly results, for example) to subscribing employees on their mobile phones. 2014 also saw the continuation of our *On the Air* radio program. Now in its 20th episode, the program highlights the latest company news, innovations, leadership interviews and questions from employee listeners. The program is available from the corporate intranet homepage and as a downloadable MP3 format for mobile listening.

In early 2014, the company deployed Microsoft Lync, a unified communications platform that includes online meetings, instant messaging, audio and video calls, and document-sharing capabilities. We also created a Digital Workplace Infocenter on our intranet homepage to help employees select and optimize the way they use the many communication tools at their disposal.

Enabling a flexible workplace

In May 2014, our corporate headquarters moved from central Paris to the western suburb of Boulogne-Billancourt. The new site features "flex-desks" that allow employees to sit wherever they want (within their team's designated zone) when arriving at the office. This new way of working is leading to a more dynamic and agile environment for employees. Other sites around the world underwent moves or renovations that adopted similar open, agile flex-desk environments.

These are just a few examples of the programs and tools we have deployed to foster timely, transparent internal communication — in every direction — at Alcatel-Lucent, which undoubtedly contribute to attracting and retaining talent.

Employee engagement

To increase employee engagement and motivation, a Leadership Index (measuring leadership effectiveness based on 12 leadership dimensions) was piloted in tandem with a series of LeaderSHIFT workshops for our Top 200 leaders and launched in 2014. A total of 162 senior level leaders were measured in early 2014 and participated in a re-measure in November 2014.

The positive perception score (i.e., the percentage of direct reports and one layer below who strongly agree and agree with the effectiveness of the Top 200 leaders) increased from 77% to 79% on average, while 58% of overall scores increased during this period. This initiative reinforced the importance of leadership in continuing to shape the new Alcatel-Lucent culture.

4.3.4 Health and Safety

Commitment to health and safety

Our Environment, Health and Safety (EHS) Policy commits us to operating in a way that protects the environment as well as the health and safety of our employees, contractors, customers and communities in which we do business. Meeting this commitment is a primary management objective as well as the individual and collective responsibility.

Our safety focus in 2014 was “high-risk” operations and given that a majority of this work is outsourced, we turned the spotlight onto our subcontractor community for projects that involved working at elevated heights and/or electrical safety. We launched a global initiative to qualify and mentor subcontractors involved in these types of high-risk work and to send a clear message of “zero tolerance” across the community. Through our qualification process, we held all subcontractors accountable to the same company standards we apply internally and mentored those who needed guidance to raise their bar regarding safety awareness. To date, more than 1,100 subcontractors have been evaluated by the Global Procurement and local EHS teams to ensure they are qualified to meet our business needs.

Safety can be sustainable only when we commit ourselves and effectively partner with those companies that work with us towards the common end goal – one where we believe that we shall do whatever it takes to be safe and where every employee is able to go home every night.

EHS and radio frequency exposure training

To ensure a healthy and safe work environment for our employees, we place high priority on training and guidance.

In 2014, Alcatel-Lucent University delivered more than 23,118 training hours on EHS issues. (It should be noted that these training hours do not take into account other EHS awareness channels such as workplace ergonomic guidelines, the EHS topics covered in mandatory Code of Conduct training or any of the other communication vehicles mentioned above.)

For example, we provide dedicated employee training to support the safe deployment of wireless products in the field. We have also initiated an internal program in all EU countries to address the key principles of EU Directive 2013/35/EU on electromagnetic fields exposure at work, which will be translated in EU Member States by July 2016.

Occupational accidents

	Frequency rate for work-related accidents (including occupational diseases)	Number of days of absence due to work-related accidents (including occupational diseases) per employee
2012	1.21	0.07
2013	1.19	0.06
2014	1.14	0.04

Notes: The workforce considered for work-related accidents (including occupational diseases such as work-related stress) are employees, students, trainees and apprentices. Regarding the number of days of absence due to work-related accidents (including occupational diseases per employee), because of the specificities or local regulatory frameworks, all establishments do not use the same methodology to calculate this number. Adjustments have been performed by the consolidating entity for countries reporting in calendar days instead of working days to ensure the homogeneity of the disclosed data.

Our reporting requirements for serious incidents and occupational accidents ensure all business groups provide the information to support effective trend analysis and root-cause identification — data that is used to continually improve our safety performance as we strive to reach our goal of zero lost workdays due to injury or illness.

We have revised our ergonomics guidelines to better suit today’s work environment for our office employees (e.g., the increasing use of laptop versus desktop computers). In keeping with a changing work environment that encourages telecommuting, virtual ergonomic evaluations are the natural next step.

Because we do not have heavy industrial manufacturing processes, we are not required to calculate or follow an indicator on the severity of occupational accidents. Global occupational accident trends focus on an employee's professional activity and the corresponding risks associated with it. Improvements are made at the program level based on trends identified, irrespective of the number of lost workdays. It has always been our approach to view the potential of the occurred accident and what we can learn to prevent its further occurrence.

Fatalities and injuries

Subcontractors are a critical part of our team as we deliver products and solutions to customers. We continue to focus on ensuring that they are properly qualified and they follow all applicable safety laws, procedures and regulations. We believe in zero tolerance for safety violations and strive to ensure each of our employees, contractors and subcontractors go home safely at the end of his or her day. The delivery of our products and services does include some high-risk activities and in 2014, we had two work-related subcontractor fatalities, one being from a motor vehicle accident in Egypt and the other an electrocution in India. A root cause analysis indicated that non-compliance with our Zero Tolerance Principles was a contributing factor in each case. As such, these subcontractor companies are no longer working for us. In 2014, we had no work-related reportable employee fatalities.

Any fatality is tragic and none are acceptable from the company's perspective. As such, we continue to drive home our policy of zero tolerance and work with all of our subcontractors to foster a safety culture. As part of this ongoing effort, we also have begun to collect subcontractor data on lost workday cases and near misses, so that we can use this information to continually improve our safety programs. In addition, we have launched a campaign centered on completing all work safely: "Right First Time, Safe Every Time".

Review of agreements signed with trade unions or staff representatives on workplace health and safety

Examples of collective agreements signed in 2014 include:

Romania: A new health insurance plan for all employees came into effect on April 1, 2014, and included the establishment of a local medical office at headquarters in Timisoara (with a doctor on premises each day during working hours) as well as extended medical coverage, with all costs borne by Alcatel-Lucent.

Italy: An agreement was signed with the ASL of Vimercate on work-related stress.

Spain: A report was signed with safety worker representatives and safety managers on work-related stress and psychosocial risk assessments. Also, an upgrade of the services provided by the partner on work/life balance was reached. Six psychologist sessions are now free of costs for employees (and are available at half of the market price for family members).

SA8000

As part of our 2011 corporate responsibility targets, Alcatel-Lucent put forward the objective to achieve SA8000 certification in Brazil and Mexico by year-end 2012 and to extend certification to other countries worldwide by 2014.

In 2012, we worked with our local experts to roll out SA8000 assessments in our major facilities in Brazil and Mexico, most notably Sao Paulo and Cuautitlan Izcalli.

In 2013, we rolled out an SA8000 assessment program in six major facilities in China, India, Mexico, Poland, Romania and Turkey. Alcatel-Lucent's internal auditors also received training from our partners Business for Social Responsibility (BSR) and Social Accountability International (SAI) on the SA8000 standard and the skillsets required to successfully implement the assessment.

In 2014, we integrated SA8000 as part of our Quality Business Management framework with the creation of a cross-disciplinary governance structure composed of members from Quality, Sustainability Operations, Corporate Sustainability, EHS and Human Resources. Alcatel-Lucent Poland achieved SA8000 certification from TUV Rheinland and we are continuing a targeted rollout in key locations globally. We have also extended this approach to our Tier 1 supply chain partners in high-risk countries.

4.3.5 Training

Alcatel-Lucent University

The mission of Alcatel-Lucent University is to improve the performance of our employees, partners and customers and build the skills required for business success through:

- learning and development initiatives which are aligned with the strategic priorities of our company;
- state-of-the-art learning facilities and e-learning components;
- technical certifications for customers, partners and employees offering professional standing in key technologies;
- accreditation programs targeting key Alcatel-Lucent job positions for employees;
- a learner-centric approach that enables individuals to achieve proficiency in areas relevant to their particular organization, job role and career interests.

All learning hours are tracked through a formal learning management system that provides auditable learning volume reports.

The University has introduced a personal, community-based learning application called My Personal Learning Experience (or My PLE), which allows students to better drive and manage their own learning programs. Designed around learning communities where students can share best practices, My PLE makes it easier for students to learn from their peers and from content experts — which, in turn, help to make learning more relevant to the job.

Achievements

In 2014, Alcatel-Lucent University delivered a total of 1.2 million hours of training to more than 91,000 total students[1] across 169 countries: 47% were external learners and 53% were internal learners[2].

In 2014, the University delivered an average of 11 hours of training per internal learner. About 73% of internal learning was delivered online in 2014, an increase of 3 points from the year before.

We have approximately 560 students in the application and completion process for professional accreditation in the areas of job skills and project management. In addition, we have 379 employees who passed the LTE certification exams, and 940 who passed Fixed Ultra-Broadband Access certification exams.

1 *The total of students includes all internal learners plus external customer learners.*
2 *External learners include customers and partners. Internal learners include employees and contractors.*

4.3.6 Diversity and equal opportunity

As a global enterprise, we actively seek to ensure that our employees reflect the diversity of our business environment. Our Global Human Rights Policy clearly confirms our responsibility to ensure equal opportunities for employees and to recognize and respect the diversity of people and ideas. Our commitment to advancing equality and non-discrimination is also reflected in specific initiatives against harassment and discrimination.

Gender diversity

Our global Strategy

At the end of 2011, we implemented a global strategy and action plan that assigned responsibility for gender diversity at the organizational, corporate and country levels, and identified actions to be carried out in five focus areas.

- **Awareness building:** in 2014 we continued our work with a series of interactive sessions on gender diversity, addressing 500 managers and leaders to help them understand why diversity is a business imperative for Alcatel-Lucent and to build their awareness of workplace gender dynamics – all with the aim to better tap our existing talent and improve organizational performance.
- **Leadership:**
  - **Supporting female leaders:** in 2014, we launched the TOP10 Women Program to support women's career development, offering to 10 participants in each region a mix of business sponsorship, executive coaching, TOP10 mentoring and networking over a one-year period.
  - **Leadership Pipeline:** as of December 2014, women account for 22% of our Leadership Pipeline (for further information, please refer in this chapter to Section 4.3.2 "Work organization and management." – sub-section "Leadership pipeline").
- **Staffing/recruitment:** 33% of external hires over the past year were women, an increase of 10% from the previous period.
- **Work/life balance:** to support a better work/life balance for employees – women as well as men—we now have teleworking policies in all key countries worldwide. Our internal networking and learning platforms are being used to educate employees on the benefits and best practices of teleworking, helping to make flexible work practices more prevalent for men and women alike. (For further information, please refer in this chapter to Section 4.3.2 "Work organization and management" – sub-section Teleworking).
- **Equal pay for equal work:** we continue to comply with legal obligations, including gender pay in the countries in which we operate. As mentioned in the first bullet, our awareness-building sessions on gender diversity, attended by 500 managers in 2014, create a foundation for renewed success in this focus area.

Key initiatives

In addition to these five focus areas, Alcatel-Lucent is a signatory of the United Nations CEO Statement of Support for the Women's Empowerment Principles (WEP). This worldwide initiative was launched by the United Nations, UNIFEM (now UN Women) and the UN Global Compact. Our gender initiatives were also included in the UN's *Companies Leading the Way: Putting the Principles into Practice*, a publication that lists examples of actions and initiatives that companies are undertaking to empower and advance women. We are an active participant in the WEP Leadership Group, including past participation supporting digital media and the WEP CEO Award Committee.

Another key gender diversity initiative to be highlighted is StrongHer, a gender empowerment program launched in 2011. This global grassroots movement helps female employees unleash their potential and amplify their contribution to business. StrongHer advocates for more balanced representation between women and men across all organizational levels and job functions within the company. Led by employees and dedicated to employees, StrongHer offers networking, personal development, and gender awareness support. ITU and UN Women have named the StrongHer initiative as one of the 6 winners of GEM-TECH (Gender Equality Mainstreaming — Technology) Award, recognizing outstanding achievements and commitment to gender empowerment in the information and communications technology industry.

Integration of disabled people

We are committed to fostering the integration of people with disabilities into our workforce and creating access solutions for them.

Mission Handicap

Designed in 2006 to better integrate disabled employees into the workplace, the Mission Handicap program in France has been established in order to meet the legal quota of 6% of disabled employees in French companies. If the company does not comply with this legal requirement, it is forced to pay or spend every year a contribution to the AGEFIPH organization for the employment of disabled workers. The amount of this contribution depends on the gap to reach the 6% target. Mission Handicap includes several action plans focused on areas such as hiring activities, equipment adaptations, tool or facility accessibility, training of employees (including managers and colleagues), and communications and awareness sessions for all employees. The program has just been renewed for another three years in 2015. At year-end 2014, disabled employees made up 3.2% of the Alcatel-Lucent workforce in France; we aim to reach 4.6% by the end of 2017.

@talentEgal

A non-profit association created by Alcatel-Lucent in France, @talentEgal helps disabled post-graduate students gain employment by providing them with training, internships or other work experience. In 2014, @talentEgal helped 28 disabled students.

Support for disabled employees in Spain

In 2014, Alcatel-Lucent continued its collaboration with Spain's AMÁS group, which creates and promotes centers and institutions that work toward the recovery and rehabilitation of those with mental illness.

Commitment to non-discrimination

Our commitment to advancing equality and non-discrimination is reflected in specific initiatives against harassment and discrimination in several countries. (in particular, France and the United States). We continue to offer to our employees, individuals and managers, awareness resources on best practices to support lesbian, gay, bisexual and transgender people (LGBT) on the workplace.

For the thirteenth consecutive year, Alcatel-Lucent was recognized by the Human Rights Campaign Foundation with a perfect score on the Corporate Equality Index, which rates American workplaces on LGBT equality.

4.3.7 Promotion and enforcement of ILO core conventions

Alcatel-Lucent Global Human Rights Policy

Following the 2012 update to our Global Human Rights Policy to ensure alignment with the UN Guiding Principles on Business and Human Rights (the so-called "Ruggie Principles"), in 2014 we dedicated our efforts to implementing company measures according to the 10 Guiding Principles of the Telecommunications Industry Dialogue on Human Rights Freedom of Expression and Privacy. These principles are designed to ensure proper treatment of our workforce and external stakeholders around the world, and to address our corporate role as a supplier of telecommunications infrastructure supports transparency on freedom of expression and privacy. In parallel, we continue to dialogue with key industry stakeholders, including our customers as well as civil society, on our common responsibilities to human rights around the world.

Excerpt of the Alcatel-Lucent Global Human Rights Policy

(Full version is available at:

http://www.alcatel-lucent.com/sustainability/policies.html and http://www.alcatel-lucent.com/sustainability/human-rightsf)

It is the policy of Alcatel-Lucent to protect and enhance the human dignity of everyone who works for the company and anyone who has dealings with it. We conduct business in many countries and believe that our products, services and jobs improve the quality of life in each of these countries.

Alcatel-Lucent supports and respects, within its sphere of influence, the principles of human rights as embodied in internationally recognized principles and guidelines, including: the UN Declaration of Human Rights; the Ten Principles of the UN Global Compact; the UN Guiding Principles on Business and Human Rights; the International Labor Organizations (ILO) Declaration of Fundamental Principles and Rights at Work; and the OECD Guidelines for Multinational Enterprises (which refer to the UN Principles). We also respect and comply with all human rights legislations, regulations or standards in the countries in which we operate.

As an employer, Alcatel-Lucent:

- Prohibits discrimination against any employee or job applicant on the basis of age; disability; race; sex; color; religion; creed; national origin; citizenship; sexual orientation; gender identity, characteristics or expression; marital status; covered veteran status; or any other protected class and will treat everyone with dignity and with full respect for their private lives
- Helps ensure that employment with Alcatel-Lucent is by freedom of choice
- Upholds freedom of association and the right of any individual to be fairly represented by a labor organization of their choosing, pursuant to local laws
- Offers employees remuneration packages that meet or exceed the legally required minimum
- Complies with maximum hours of daily labor set by local laws and complies with overtime pay legal requirements
- Supports the effective elimination of all forms of compulsory labor and child labor and will make this a criterion in the selection and management of our suppliers and contractors

- Prohibits:
  - Actions that create an intimidating, hostile work environment, including corporal punishment, harassment, verbal, written, physical or psychological abuse, threats or intimidation, as these are inconsistent with a respect for human dignity
  - Actions that threaten or insinuate that an employee's or applicant's submission to or rejection of sexual advances will influence any personnel decision regarding that employee's or applicant's employment, wages, advancement, job assignment or any other condition of employment or career development
  - Retaliation or other adverse actions against those who report, in good faith, suspected violation of the law or policy.

4.3.8 Social indicators

Global headcount

The tables below show the breakdown by business segment, geographic area, age and gender of our employees for the years 2012 through 2014.

The figures take into account all employees who worked for fully consolidated companies (including long-term absences/notice period) as well as companies, in which we own 50% or more of the equity.

The numbers below were restated for the last three years due to the sale of our Enterprise activities on September 30, 2014. Enterprise headcount was 2,872 in 2012, 2,795 in 2013, and 463 in 2014.

With the convergence of our HR information systems, data on all social indicators are collected and consolidated at the corporate level. The only exception is health and safety data, which are issued from our sustainability reporting tool. The 2014 health and safety survey covered 68 countries.

	2012	2013	2014	2014 Perimeter
1. Headcount **Excluding Enterprise, including non-operational headcount (long term absences/notice period)**				
Headcount total, recruitments and reduction				
Total headcount as of December 31	**69,472**	**59,516**	**52,673**	**100%**
Number of recruits	4,510	2,860	6,599	100%
Headcount increase due to the full consolidation of previously non-fully consolidated companies	62	0	0	100%
Headcount increase due to acquisitions and insourcing	47	2,943	37	100%
Headcount reduction	(6,848)	(15,759)	(13,479)	100%
Headcount reduction due to businesses transferred or sold	(325)	(7,913)	(4,614)	100%
Headcount reduction due to outsourcing and transfers	(59)	(118)	(2,195)	100%
Headcount reduction due to redundancies	(1,641)	(3,542)	(2,242)	100%
Headcount reduction due to normal departures (retirements, end of temporary work contracts, resignations, deaths)	(4,823)	(4,186)	(4,428)	100%
Breakdown of employees by business segment				
Data are restated for the disposal of our Enterprise activities				
Core	27,811	24,128	23,367	100%
Access	39,797	33,156	28,048	100%
Enterprise & LGS	638	684	0	100%
Other (PNA included)	1,226	1,548	1,258	100%
Total Group	**69,472**	**59,516**	**52,673**	**100%**
Breakdown of employees by geographic area				
Restated for the disposal of our Enterprise activities				
France	8,175	7,613	7,098	100%
Other Western Europe	10,671	9,940	8,300	100%
Rest of Europe	5,204	2,772	2,703	100%
Asia-Pacific	21,929	19,306	16,967	100%
North America	15,941	14,820	13,128	100%
Rest of world	7,552	5,065	4,477	100%
Total Group	**69,472**	**59,516**	**52,673**	**100%**

		2012	2013	2014	2014 Perimeter
Breakdown of employees by age					
Restated for the disposal of our Enterprise activities					
Europe, Middle East and Africa	Below 30	8%	6.6%	6.9%	100%
	30–50	69%	68.8%	66.4%	100%
	Above 50	23%	24.7%	26.7%	100%
Americas	Below 30	6%	4.9%	4.9%	100%
	30–50	58%	55%	53.3%	100%
	Above 50	36%	40%	41.8%	100%
Asia-Pacific	Below 30	23%	19.2%	18.9%	100%
	30–50	74%	76.4%	76.8%	100%
	Above 50	3%	4.3%	4.3%	100%
Total Group	**Below 30**	**12%**	**10.2%**	**10.3%**	**100%**
	30–50	**67%**	**67.3%**	**66.1%**	**100%**
	Above 50	**21%**	**22.5%**	**23.6%**	**100%**
Breakdown of employees by gender					
Restated for the disposal of our Enterprise activities					
Europe, Middle East and Africa	Female	19%	19%	19%	100%
	Male	81%	81%	81%	100%
Americas	Female	21%	23%	23%	100%
	Male	79%	77%	77%	100%
Asia-Pacific	Female	22%	23%	31%	100%
	Male	78%	77%	69%	100%
Total Group	**Female**	**21%**	**21%**	**24%**	**100%**
	Male	**79%**	**79%**	**76%**	**100%**

	2012	2013	2014	2014 Perimeter
2. Diversity				
Percentage of women/headcount	21%	21%	24%	100%
Percentage of men/headcount	79%	79%	76%	100%
Percentage of women (Leadership Pipeline)	23%	23%	22%	100%
Number of disabled employees	168	183	190	France(1)
3. Training				
Training budget (as a percentage of payroll)	1.00%	1.00%	1.00%	100%
Average hours of training provided to internal learner	15	10	9.3	100%
Total hours of training per employee	NA	NA	11	100%
Percentage of training time via e-learning technologies	51%	70%	73%	100%
4. Mobility				
Number of expatriates worldwide	358	171	166	100%
Expatriates by host region (Europe)	97	93	16	100%
Expatriates by host region (North America)	25	13	7	100%
Expatriates by host region (South America)	7	1	5	100%
Expatriates by host region (Middle East, Africa and India)	129	29	86	100%
Expatriates by host region (Asia-Pacific)	100	35	52	100%
5. Health and safety				
Number of days of absence due to work-related accidents (including occupational diseases) per employee	0.07	0.06	0.04	98% (2)
Frequency rate for work-related accidents (including occupational diseases) (number of accidents per year, per one million hours worked)	1.21	1.19	1.14	98%

(1) *For Alcatel-Lucent International in France.*
(2) *Based on country legislations.*

Additional notes

In 2014, the number of days of absence due to work-related accidents (including occupational diseases) per employee by region was 0.01 in Asia-Pacific, 0.05 in Europe, the Middle East and Africa, and 0.08 in the Americas.

In 2014, the distribution of frequency rate for work-related accidents (including occupational diseases) for total employee headcount by region was 0.38 in Asia-Pacific, 1.80 in Europe, the Middle East and Africa, and 1.37 in the Americas.

The workforce considered for work-related accidents (including occupational diseases such as work-related stress) are employees, students, trainees and apprentices.

Regarding the number of days of absence due to work-related accidents (including occupational diseases) per employee, because of the specificities or local regulatory frameworks, all establishments do not use the same methodology to calculate this number. Adjustments have been performed by the consolidating entity for countries reporting in calendar days instead of working days to ensure the homogeneity of the disclosed data.

4.4 Societal commitments toward sustainability

4.4.1 Territorial, economic and social impact

Digital inclusion and broadband access are key pillars of Alcatel-Lucent's product and solution portfolio, reinforcing our commitment 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 through our leading IP networking, ultra-broadband access and cloud expertise. Our approach to digital inclusion focuses on:

Our approach

Technology and innovation

Our continued focus on IP networking, cloud and ultra-broadband access under The Shift Plan, along with the innovation assets of Bell Labs and other partners (including our customers and industry peers), enable us to continue to challenge and shape the future of the industry by making communications more innovative, sustainable and accessible. Specific technology areas of advancement include ultra-broadband wireless and fixed access (e.g., VDSL vectoring, small cells), IP routing, and transport and IP platforms.

Ultra-broadband access

In 2014, Alcatel-Lucent worked with governments, public authorities and regulators worldwide — particularly in emerging countries — to promote the benefits of ultra-broadband access plans and to support digital inclusion. We also worked with a number of international organizations and institutions.

Philanthropy

The Alcatel-Lucent Foundation updated its mission in line with The Shift Plan to help prepare youth from disadvantaged communities participate and innovate in a connected world.

Impact on communities

A robust telecommunications infrastructure fosters equality by democratizing information and enabling the promotion of fundamental human rights. Alcatel-Lucent positively affects the communities in which it operates by following policies and procedures that emphasize hiring local personnel, evaluating local suppliers, minimizing environmental impact and, through our digital inclusion strategy, developing actions that enhance people's lives.

We measure the impact of our actions according to a range of social, environmental and economic indicators. For example, we assess the success of our philanthropic initiatives based on number of beneficiaries, number of volunteers and volunteer hours, improvements to quality of life, improvements in people's technology-related skills and more.

We also use modeling to evaluate the impact of our actions, such as Bell Labs model used in February 2012 by Alcatel-Lucent and key national stakeholders in New Zealand to assess the impact of ultra-fast broadband (UFB) and Rural Broadband Initiative (RBI) investments. The study showed that by enabling applications such as teleworking, videoconferencing, remote patient monitoring, online training and even remote sheep herding, UFB and RBI would add more than $5 billion to New Zealand's GDP over a 20-year period. The study also found that the combined consumer surplus from using high-speed broadband applications significantly outstripped the GDP impact of building the UFB and RBI networks.

4

4.4.2 Engagement with stakeholders

Our approach to dialogue and action

Stakeholder dialogue is the cornerstone of our approach to sustainability. Throughout 2014, we dialogued with new and existing stakeholders in the public and private sectors — particularly customers, investors and members of civil society — as well as employees to collectively address global challenges of climate change, rural inclusion, human rights (e.g., freedom of expression and privacy), ethical business practices and the evolution of digital economies.

We created a new Sustainability Advisory Panel composed of material stakeholders to deepen our engagement with key stakeholders and to ensure we meet key expectations related to the performance, risk mitigation and visibility of our sustainability actions. The Sustainability Advisory Panel held five meetings in 2014 to tackle strategic issues for the company and the telecommunications sector at large, including ethics, supply chain and eco-sustainability.

All of our interactions with partners were constructive, completely transparent and premised on meaningful action. These included direct discussions, joint initiatives, global forums and conferences in addition to online conversations through channels such as the Alcatel-Lucent Blog, Twitter, YouTube and our internal social media platform, Engage. In all such interactions, we apply relevant stakeholder governance structures and ethics and compliance policies.

Annual stakeholder engagements

In 2014, Alcatel-Lucent maintained a very active role in the United Nations Broadband Commission, the International Telecommunications Union (ITU) and the Affordable Internet Alliance to dialogue with public authorities and regulators in developing and emerging economies. These discussions focused on topics such as ultra-broadband access, energy efficiency, climate change and the role of broadband in meeting the post-2015 Sustainable Development Goals.

Discussions were also held at events such as Mobile World Congress, meetings of the UN Broadband Commission for Digital Development and many other global forums addressing the role of communication technology for social and economic development.

Alcatel-Lucent also ramped up its work with the ITU's mPowering Initiative, which assembles high-level actors from organizations in the ICT and development fields to accelerate mobile services for inclusion in developing and emerging countries.

Alcatel-Lucent also continued its work with Development Banks such as the AFD (French Development Bank), IDB-Inter-American Development Banks and the African Development Bank to raise the level of attention Broadband has on development.

Human rights and ethical business practices

The attention to issues such as communications surveillance continued to grow in 2014. Through the Telecommunications Industry Dialogue and collaboration with the Global Networking Initiative (GNI), Alcatel-Lucent continued to proactively share insight and experience related to corporate responsibility on human rights, freedom of expression and privacy with civil society, investors and public authorities. Our CEO also signed the UN Global Compact's Call to Action on anti-corruption, while the company has engaged in proactive discussions with the UN Global Compact (including participation in its Anti-Corruption Summit), Transparency International and key public stakeholders to talk about the importance of establishing a level playing field for the telecommunications sector with regard to compliance and fair business practices.

mLearning, mHealth

The ongoing work we have engaged in over the past four years with partners such as the United Nations, development banks, NGOs and private sector companies in the field of mHealth and mLearning resulted in the 2014 launch of an ambitious national mHealth project in Senegal to combat diabetes via mobile technology. This project was realized through a partnership with the World Health Organization, ITU, several Senegalese government departments, NGOs and private sector companies including Sanofi, Orange and BUPA. We are now working on bringing the project to other countries such as Mexico and Ghana.

Eco-sustainability

We have also championed a number of eco-sustainability initiatives, including Bell Labs' GWATT application, which helps operators and stakeholders forecast the impact future network traffic volume will have on energy consumption. We have also continued our leadership in the GreenTouch consortium, which is dedicated to creating a roadmap for making communications 1,000 times more energy efficient. Both of these activities actively involved presenting to and collaborating with key customers.

Finally, we continued to reach out to stakeholders such as Greenpeace, the United Nations Global Compact's regional networks and Ethical Corporation to promote greater awareness of and exchange best practices for eco-sustainability and supply chain management.

Philanthropy and volunteering

The Alcatel-Lucent Foundation contributes to the company's commitment to digital inclusion by supporting philanthropy that serves and enhances the communities where our employees and customers work and live. Its prime mission is to prepare youth, and especially young women, to participate and innovate in the connected world. It supports charitable activities dedicated to digital literacy and promotes access to education and digital tools through employee volunteerism, focused partnerships and in-kind donations in communities around the world.

In 2014, the Alcatel-Lucent Foundation:

- Provided USD $1.7 million to carefully selected charitable programs around the world, touching the lives of 60,000 beneficiaries. These beneficiaries benefited from both Alcatel-Lucent's in-kind expertise as well as the Foundation's own activities and programs such as Campus in the Cloud and ConnectEd.
- Facilitated the engagement of 5,000 employee volunteers, who gave 41,000 hours volunteering.
- Created and deployed a group-wide strategy to guide corporate philanthropic activities in line with The Shift Plan.
- Supported two global signature programs:
  - **ConnectEd** is a digital education partnership between World Education and the Alcatel-Lucent Foundation to provide educational and digital skills training opportunities for youth in disadvantaged communities worldwide. Launched in April 2011, this three-year program puts a special focus on the use of technology to transform youth education, work and life. Deployed in five countries (Australia, Brazil, China, India and Indonesia), ConnectEd arrived to completion at the end of March 2014 in four of them while continuing in Indonesia until the end of 2014. From April 2011 to September 30, 2014, the program provided training to 23,000 youth, 58% of them girls.
  - **Campus in the Cloud** is an Alcatel-Lucent employee in-kind initiative that aims to bridge the knowledge gap for those who have no or little access to education by leveraging our in-house skills, talent and communications technology. Launched in 2013, this program encourages employees to share their knowledge by creating short educational videos on their work, giving advice on career advancement and how to prepare for the world of work. These videos are then shared with the beneficiaries of Alcatel-Lucent Foundation programs. Campus in the Cloud now offers 43 content items in 6 languages — and will continue to be a focus program in 2015.
- Deployed a volunteering management web tool called "we care volunteering platform", to better monitor and structure our reporting on volunteer activities company-wide. The tool was launched in July 2013 starting with a pilot implementation in the United States.

4.4.3 Responsible purchasing

We are committed to promoting sustainability throughout our supply chain and, in particular, among the third-party suppliers that provide us with components, products, software, support or services. Our comprehensive approach to responsible purchasing stands on three pillars.

- **Require:** communicate clear sustainability requirements to suppliers through contractual purchasing requirements and product or service specifications.
- **Assess:** evaluate suppliers' sustainability performance through ratings and onsite audits.
- **Improve:** push and support the improvement efforts of suppliers whose performance is not at the expected level.

Sustainability requirements for suppliers

As a mandatory element of all agreements, Alcatel-Lucent requires suppliers to comply with clearly defined principles based on international and sector standards. Our key references are the United Nations Global Compact's Ten Principles and the EICC (Electronics Industry Citizenship Coalition) Code of Conduct.

To strengthen our anti-corruption requirements, the following processes were established during 2013 and 2014:

- all requests to use new suppliers are channeled through a screening process. There are two levels of screening depending on business level and the corruption risk associated with the supplier location and activity. The supplier can be accepted, accepted with conditions, or rejected for reasons of corruption risk;
- we continue to screen our existing suppliers, beginning with those who present the highest corruption risk.

Assessment of supplier sustainability performance

Supplier risk assessments

We perform risk assessments when evaluating new suppliers. We also reassess the risk levels of our major suppliers on an annual basis. These assessments measure levels of risk according to a supplier's type of activity, location and other factors. If the overall risk level is excessive, either the supplier may be rejected or actions such as a formal sustainability rating process may be taken to ensure the supplier's practices meet our requirements.

EcoVadis sustainability ratings

Supplier assessments are performed by EcoVadis, a company specialized in sustainable supply chain management solutions. Based on internationally recognized standards such as the Global Reporting Initiative, the UN Global Compact and ISO 26000, the EcoVadis rating system focuses on suppliers' social, ethical, environmental, health and safety, and human rights practices, and on how they manage their own supply chains. Ratings are determined by EcoVadis experts based on supplier questionnaire responses, supporting documentation, third-party information and risk factors mapped according to industrial sector and country. EcoVadis ratings give Alcatel-Lucent a clear, external, objective point of reference by which to assess suppliers. Suppliers can decide to share their assessment results with any EcoVadis platform member and thereby capitalize on their sustainability rating.

Health and safety qualification screening

In 2014, we established a health and safety qualification process for services suppliers performing high-risk activities (work in heights or on high voltage devices). By end 2014, 870 high-risk suppliers were evaluated for qualification and 716 who best fit with our standards were qualified. The remaining contractors are still in progress or delisted / non qualified due to insufficient response.

Alcatel-Lucent sustainability audits

We conduct two types of audits of our suppliers: quality audits (which include sustainability criteria) and more comprehensive sustainability-dedicated audits, which cover environment, labor, human rights, fair business practices and sustainable procurement.

On-site sustainability audits are typically conducted for suppliers with unsatisfactory EcoVadis ratings and high sustainability risk profiles. Quality audits are a supplier selection element performed by our Supplier Quality team.

Improving suppliers' sustainability performance

We require suppliers with unsatisfactory EcoVadis ratings or audit results to draft and implement remedial plans addressing the identified weaknesses. In support, we provide recommendations and determine if the overall improvement plan is sufficient.

Both high-spend and high-risk suppliers are covered by assessments and pushed to improve: 80% of active suppliers assessed on sustainability by EcoVadis were rated "satisfactory" or above by year-end 2014, up from 53% at the end of 2010. ("Active suppliers" refers to key, preferred and other suppliers who may require assessments because of their risk level.)

Establishing conflict minerals traceability

In 2014, we surveyed more than 300 suppliers on conflict minerals to determine the origin of the tin, tantalum, tungsten and gold included in their components. By having our suppliers trace and report on where they source their minerals, this program aims at pushing our supply chain to use legitimate minerals sources and to address the human rights and environmental violations occurring in the mining and trading activities of Africa's Great Lakes region. Ultimately, we recommend that our suppliers strive to become "conflict free" — and to do so in a way that does not create detrimental effects on local populations (for example, by banning the use of legitimate minerals sources across the region). We combine mineral smelters' conflict-free audit status (provided by the Conflict-Free Sourcing Initiative industry associations) with traceability information from our suppliers to determine mineral origin status. We report annually on this program's progress on our website.

4.4.4 Fair practices

Ethics and compliance

We have a zero tolerance policy for compliance violations and reinforce full integrity in every business action from every employee.

Ethics and Compliance Council

The Alcatel-Lucent Ethics and Compliance Council was established in February 2007 and is composed of the Chief Compliance Officer and representatives from Law, Finance, Operations, Human Resources, Communications, Corporate Audit Services, Corporate Investigation Services Operations, and the Office of Business Integrity & Compliance. This Council meets quarterly and is responsible for overseeing the company-level design and implementation of an integrated ethics and compliance system.

Ethics and Compliance Management System

Since 2007, we have implemented a comprehensive Ethics and Compliance Management System to promote compliance and ethical behavior consistent with the highest standards of our customers, shareholders and employees. This system aims to prevent and detect violations of law, regulation and company policy, and to cultivate an ethical business culture throughout the company.

Key elements of the Ethics and Compliance Management System include:

- a comprehensive compliance governance structure.
- the Alcatel-Lucent Code of Conduct;
- policies, procedures and controls;
- monitoring and auditing practices;
- an annual compliance risk assessment (with related mitigation plans and processes for continuous improvement);
- education and training;
- ethics and compliance communications focusing on maintaining a "speak-up" culture;
- a Compliance Hotline and other reporting vehicles; and
- a global compliance-resolution process.

Key achievements in 2014 included 98% participation by employees globally in the annual Code of Conduct review and acknowledgment process by year-end.

For further information, please refer to Section 7.3 "Alcatel-Lucent Code of Conduct" of the 2014 Annual Report on Form 20-F.

Actions taken to prevent corruption

Anti-corruption is a key compliance priority for Alcatel-Lucent. Our policy is to conduct business only on the merits of our products, services and people. We never pay, offer or promise to provide anything of value to obtain or retain business or to secure any improper advantage, and we never allow a representative or business partner to make illegal payments or promises on our behalf. Our position on anti-corruption comes from the highest level of the company, is unmistakable and definitive, and applied with zero tolerance for non-compliance. We maintain processes and training to prevent and detect potential business risk regarding bribery and corruption. Alcatel-Lucent strictly prohibits bribes in any form and continues to enhance policies, programs and procedures to include a clear requirement to comply with anti-corruption requirements.

Our Anti-Corruption Compliance Program focuses on ensuring employee awareness of and compliance with company policies and applicable laws such as the United States *Foreign Corrupt Practices Act* and the United Kingdom *Bribery Act*. Key pillars of this program include:

- ongoing monitoring of legislative and regulatory activities;
- annual program self-assessment and development of related enhancement plans;
- annual compliance risk assessment with related mitigation plans;
- regular status reporting to senior management;
- continued implementation of a web-based tool to ensure gifts, travel and hospitality events are granted in accordance with anti-corruption policies; and
- enhanced risk management of sales and other third parties through the application of new third-party screening and selection processes, and globally implementing a third-party registry and online screening tool.

In 2014, every part of our business (including regions, business groups and central functions) was analyzed for risks related to corruption. To ensure full alignment, each operating unit's compliance risk assessment report was reviewed, approved and documented by the Management Committee member responsible for that organization.

Consolidated risk assessment results are shared regularly with all interested stakeholders including senior management. Compliance Committees composed of management from Sales, Finance, Legal, HR and Compliance have been established in the regions and business units to regularly review anti-corruption compliance. In addition, unit compliance leaders provide quarterly status reports to the Office of Business Integrity & Compliance detailing ongoing implementation of their action plans.

The company has taken a leadership role in many anti-corruption initiatives to support ethical business and keep abreast of evolving requirements and best practices, including:

- listing among the good practice case studies in the UN Human Rights & Business Dilemma Forum due to our phase-out of external agents and our transparent approach to past allegations through the ‘controversies’ section on our website;
- membership in the UN Global Compact and adherence to the 21 UN Global Compact Advanced Level principles

In 2014, Alcatel-Lucent met with Transparency International to discuss the creation of a sector initiative on anti-corruption. Alcatel-Lucent also took a leadership role in the UN Global Compact’s Anti-Corruption Working Group, with our CEO signing the UN Global Compact Call to Action on Anti-corruption as well as participating in working level meetings with a specific focus on advancing the anti-corruption agenda within the framework of the UN Global Compact.

Privacy protection

Since 2009, Alcatel-Lucent has been committed to respecting individual privacy rights and expectations, and to protecting personal data against unauthorized access, use, retention or disclosure. To that end, Alcatel-Lucent has set up a comprehensive organizational structure in charge of privacy and data protection (P&DP) compliance that includes the following components:

- **Chief Privacy Officer (CPO)**
  This person is the primary senior sponsor and leader responsible for ensuring Alcatel-Lucent has a consistent and effective P&DP strategy in line with the overall business strategy, and an associated P&DP compliance program;
- **P&DP Compliance Program Owner**
  This person’s primary responsibility is to establish and execute the P&DP Compliance Program (and, as such, serves as chair of the P&DP Steering Committee);
- **P&DP Lead Counsel**
  This person ensures that the various P&DP players have all necessary legal advice and support;
- **P&DP Steering Committee**
  Established in 2010, this committee provides overall cross-functional leadership overseeing the design and implementation of the company-wide privacy program. It meets several times a year and is composed of the CPO, the Lead Counsel and other senior leaders from CTO, Corporate Security, Corporate Sustainability, Human Resources and IS/IT; and
- **Data Privacy Team (DPT)**
  This multi-disciplinary team is responsible for daily operational tasks and activities, supporting the various business units and their project teams in assessing and mitigating P&DP risks. It also works to ensure members of the Data Privacy Network (DPN), as representatives of the Alcatel-Lucent affiliates, have the necessary information to conduct their own compliance assessment with local laws and implement local necessary actions such as submitting filings to data protection authorities or preparing needed communications to works councils and users.

Since launching the P&DP Compliance Program in 2009, Alcatel-Lucent now:

- conducts a yearly assessment and develops a related enhancement plan;
- develops policies, procedures and guidelines to meet regulatory and customer requirements;
- designs and deploys training modules for specific audience (e.g., HR, IS/IT, Sales, R&D) complementing the Code of Conduct to be acknowledged by the entire workforce on an annual basis;
- makes available various awareness and educational resources, including FAQs and “what if?” scenarios, or on specific occasion (ex: for the annual international data privacy day); and
- continuously monitors data privacy regulatory developments as well as changes in regulations pertaining to areas such as telecommunication, Big Data and the Internet of Things, Cloud, Big Data…

As Alcatel-Lucent operates in a business-to-business model, its primary privacy related focus has been its own employees so far. Nonetheless Alcatel-Lucent has a public Global Privacy and Data Protection Policy, which can be viewed at the bottom of every page of our website or at http://www.alcatel-lucent.com/privacy. This policy applies to all business activities of Alcatel-Lucent S.A., Alcatel- Lucent International and all of their subsidiaries, and to all Alcatel-Lucent websites that are operated by or on behalf of Alcatel-Lucent and/or link to the Global Privacy and Data Protection Policy. This policy does not apply to consumer activities as Alcatel-Lucent does not have direct business relations with consumers.

4.4.5 Human Rights freedom of expression and privacy

We consider the United Nations Guiding Principles on Business and Human Rights — the so-called “Ruggie Principles” that led to the establishment of the UN Protect, Respect and Remedy Framework — to be a significant milestone. The framework, endorsed in June 2011, clarifies the responsibility of governments to protect human rights and the responsibility of the business community to respect human rights in their global operations and ecosystems. In 2012, Alcatel-Lucent updated its

Global Human Rights Policy to align with the UN Guiding Principles on Business and Human Rights, and designated the Chief Compliance Officer as the company's representative on human rights at the executive level.

In 2013, as part of our internal processes, we developed human rights due diligence requirements for material commercial proposals and extended our human rights commitments to resellers. We also designed and deployed a multilingual employee training module to build awareness of human rights principles throughout the company. These measures are being deployed in 2014–2015.

Also in 2014 – 2015, the company continues to broaden its security geographic screening processes and compliance screening of third parties, and to engage in ongoing monitoring of its supply chain to assess key aspects of human rights. (For further information, please refer in this chapter to Section 4.4.3 "Responsible purchasing".)

Also, from an external perspective, in 2014, Alcatel-Lucent deepened its collaboration with the ID (Telecommunications Industry Dialogue—http://www.telecomindustrydialogue.org) — a group of nine global telecommunications operators and vendors that has been meeting since 2011 to discuss freedom of expression and privacy rights in the telecommunication sector — to jointly launch the 10 Guiding Principles on Telecommunications and Freedom of Expression and Privacy. We published our first implementing measures for the 10 Guiding Principles related to our commercial activities in our 2013 Sustainability Report; these measures will be updated in the 2014 Sustainability Report. The ID also continued its active collaboration with the Global Network Initiative (GNI) to advance freedom of expression and privacy rights in the ICT sector more effectively at a global level through joint stakeholder dialogue and learning sessions.

Alcatel-Lucent also continued to participate in the GeSI Human Rights Working Group to ensure open discussion of best practices for human rights in the telecommunications sector. We also regularly engaged on a bilateral basis with investors, NGOs as well as public authorities such as the European Commission on the challenges of human rights for the sector.

4.5 Assurance statement

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

ERNST & YOUNG et Associés

Alcatel-Lucent

Year ended the 31st December 2014

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Alcatel-Lucent, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31st December 2014, presented in chapter 8 of the 2014 annual report of the 20-F and chapter 4 of the 2014 20-F additional information, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Managing Director to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the company including protocols for Environment, Health and Safety (EHS) and Human Resources (HR) in their versions dated respectively on November 2014 and August 2009 (hereafter referred to as the "Criteria"), available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work to:

- attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria; and
- express, at the request of the company, a reasonable assurance conclusion that the information selected by the company and identified in chapter 8 of the 2014 annual report on form 20-F and chapter 4 of the 2014 20-F additional information, has been established, in all material aspects, in accordance with the Criteria.

[1] *Scope available at www.cofrac.fr*

Our verification work was undertaken by a team of 4 people between October 2014 and February 2015 for an estimated duration of seventeen weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000[2].

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the heads of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code *(Code de commerce).*

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code *(Code de commerce).*

Based on this work, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook about fifteen interviews with the people responsible for the preparation of the CSR Information in the different departments including purchasing, human resources, legal, quality, or research and development, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards; and
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

[2] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

For the CSR Information we considered the most important[3]:

- At the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- At the level of the representative sample of entities we selected[4], based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 33% of the total workforce and 14% of the quantitative environmental, health and safety information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken as a whole, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, March 19th, 2015

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Partner, Sustainable Development	Partner
Eric Mugnier	Bruno Perrin

[3] ***Environmental and societal information****: sustainable use of resources and climate change (energy consumption, measures undertaken to improve energy efficiency and to promote the use of renewable energy, raw material consumption and measures undertaken to enhance resource efficiency) ; territorial impact, economic and social (employment, regional development, impact on regional and local populations), relation with stakeholders (conditions for dialogue, partnership or sponsorship), importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors, business ethics (actions undertaken to prevent bribery and corruption, measures undertaken in favour of consumers' health and safety), actions undertaken to promote and guarantee Human Rights.*

Social information*: employment (total headcount and breakdown, hiring and terminations), health and safety at the work place, work accidents, notably their frequency and their severity, as well as occupational diseases, training policies, number of days of training, diversity and equality of treatment and opportunities (measures undertaken for gender equality), promotion and respect of the ILO core conventions.*

[4] *Antwerpen (Belgium), Bangalore Manyate (India), Timisoara (Romania), Bydgoszcz (Poland), Murray Hill (USA) and Cuautitlan (Mexico)*

4.6 Grenelle II correspondence table

(ARTICLE R. 225-105 OF THE CODE DE COMMERCE)

The data presented in the Sustainability chapter summarizes the social, environmental and societal aspects of Alcatel-Lucent's business activities in accordance with French decree No. 2012-557 of 24 April 2012, which requires companies to report on the social and environmental impacts of their businesses. (That decree implements article 225 of law No. 2010-788 of 12 July 2010, known as "Grenelle II", which requires companies to publish social, environmental and governance information in the annual report of their Board of Governors or Management Board pursuant to law No. 2001-420 of 15 May 2001 relating to France's so-called "NRE" (New Economic Regulations Act) and article 12 of law No. 2012-387 of 22 March 2012 relating to the simplification and easing of legal and administrative procedures, which modified article L. 225-102-1 of the French Commercial Code.)

SUBJECT	TOPIC	REQUIRED INFORMATION	REFERENCES
Environment	Overall environmental policy	Company organization to take into account environmental issues (including policy, assessment approach or certification)	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Employee awareness training and communication activities on environmental protection	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Allocation of resources to prevent environmental risks and pollution	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Overall environmental policy	Amount of provisions and guarantees to address environmental risks, provided such information is not likely to cause serious harm to society in an ongoing dispute	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY
Environment	Pollution and waste management	Prevention, reduction or compensation measures for air emissions or water and soil discharges that seriously affect the environment	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.8 ENVIRONMENT INDICATORS
Environment	Pollution and waste management	Actions taken to support prevention, recycling and waste disposal	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT; 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Pollution and waste management	Inclusion of noise pollution and any other form of pollution specific to the activity in question	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.2 POLLUTION AND WASTE MANAGEMENT
Environment	Sustainable use of resources	Water consumption and water supply based on local conditions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Consumption of raw materials and measures taken to improve the efficiency of their use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES
Environment	Sustainable use of resources	Energy consumption, measures taken to improve energy efficiency and renewable energy use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.3 SUSTAINABLE USE OF RESOURCES; 4.2.8 ENVIRONMENT INDICATORS
Environment	Sustainable use of resources	Soil use	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.7 BIODIVERSITY PROTECTION

Environment	Climate change	Greenhouse gas emissions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.6 CLIMATE CHANGE; 4.2.8 ENVIRONMENT INDICATORS
Environment	Climate change	Adaptation to the impact of climate change	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY; 4.2.6 CLIMATE CHANGE
Environment	Biodiversity protection	Measures taken to protect or develop biodiversity	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.7 BIODIVERSITY PROTECTION
Social	Employment	Total number and breakdown of employees by gender, age and geography	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.1 EMPLOYMENT; 4.3.8 SOCIAL INDICATORS
Social	Employment	Hirings and dismissals	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.8 SOCIAL INDICATORS
Social	Employment	Compensation and evolution	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.1 EMPLOYMENT
Social	Work organization	Work time organization	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.2 WORK ORGANIZATION AND MANAGEMENT
Social	Work organization	Absenteeism	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.2 WORK ORGANIZATION AND MANAGEMENT; 4.3.8 SOCIAL INDICATORS
Social	Social relationships	Organization of social dialogue, including procedures for consultation and negotiation with staff	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS
Social	Social relationships	Review of collective agreements	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS
Social	Health and safety	Health and safety work conditions	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.1 OVERALL ENVIRONMENTAL POLICY; 4.3.4 HEALTH AND SAFETY
Social	Health and safety	Review of agreements signed with trade unions or staff representatives on workplace health and safety	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.4 HEALTH AND SAFETY
Social	Health and safety	Occupational accidents (including frequency and severity rates) and occupational diseases	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.4 HEALTH AND SAFETY; 4.3.8 SOCIAL INDICATORS
Social	Training	Training policies	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.5 TRAINING
Social	Training	Total number of hours trained	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.5 TRAINING
Social	Equal opportunity	Measures in favor of equality between women and men	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Measures for employment and integration of disabled people	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY
Social	Equal opportunity	Policies against discrimination	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY

Social	Promotion and enforcement of ILO core conventions	Freedom of association and collective bargaining rights	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.3 SOCIAL RELATIONSHIPS; 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of discriminatory treatment in employment and occupation	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.6 DIVERSITY AND EQUAL OPPORTUNITY; 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the elimination of forced or compulsory work	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Social	Promotion and enforcement of ILO core conventions	Measures toward the effective abolition of child labor	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS
Societal	Territorial, economic and social impact of the company	in terms of employment and regional development	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Territorial, economic and social impact of the company	on local population	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT
Societal	Relationships with persons or organizations interested in the company's business, including:	Dialogue conditions with those persons or organizations	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.1.1 SUSTAINABILITY APPROACH 4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Relationships with persons or organizations interested in the company's business, including:	Actions of partnership or philanthropy	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.2 ENGAGEMENT WITH STAKEHOLDERS
Societal	Subcontractors and suppliers	Consideration of social and environmental issues in the company's procurement policy	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.3 RESPONSIBLE PURCHASING
Societal	Subcontractors and suppliers	Importance of subcontracting and the social and environmental responsibility of suppliers and subcontractors	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.3 RESPONSIBLE PURCHASING
Societal	Fair practices	Actions taken to prevent corruption	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.4.4 FAIR PRACTICES
Societal	Fair practices	Measures taken for consumer health and safety	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.2.4 IMPACTS OF OUR PRODUCTS ON HEALTH AND SAFETY
Societal	Human rights	Actions taken to support human rights	SEE 20-F ADDITIONAL INFORMATION DOCUMENT 4.3.7 PROMOTION AND ENFORCEMENT OF ILO CORE CONVENTIONS; 4.4.5 HUMAN RIGHTS FREEDOM OF EXPRESSION AND PRIVACY

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Alcatel·Lucent

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of August, 2015

Commission File No.: 1-11130

Alcatel·Lucent

(Translation of registrant's name into English)

148/152 route de la Reine 92100 Boulogne-Billancourt — France
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

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FORWARD LOOKING INFORMATION

The discussion of our Operating and Financial Review and Prospects in this Form 6-K contains forward-looking statements based on beliefs of our management. We use words such as “anticipate”, “believe”, “expect”, “aim”, “may”, “target”, “seek”, “estimate”, “predict”, “potential”, “intend”, “should”, “plan”, “project”, “strive” or the negative of these terms or other words or similar expressions to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results to be materially different, including, among others, unexpected delays in client orders while the outcome of the announced takeover offer by Nokia is pending and changes in general economic and business conditions, particularly in Europe with the ongoing crisis in the Euro zone. Such factors could negatively impact our ability to achieve the goals of our Shift Plan by the end of 2015, including the refocusing of the Group’s innovation efforts and the level of debt re-profiling and debt reduction. A detailed description of such risks and uncertainties (other than the risk of delay in client orders pending the outcome of the Nokia offer) is set forth in our Annual Report on Form 20-F for the year ended December 31, 2014 filed with the U.S. Securities and Exchange Commission on March 24, 2015 (the “2014 20-F”), under the heading “Risk Factors”. The forward looking statements set forth in the discussion of our Operating and Financial Review and Prospects below include, but are not limited to, statements regarding the expected level of restructuring costs and capital expenditures, statements regarding the amount we will be required to pay in the future pursuant to our existing contractual obligations and off-balance sheet contingent commitments and statements relating to the impact resulting from the announced combination with Nokia, including the characteristics of the combined company and the shareholding breakdown of the combined company between Nokia and Alcatel-Lucent shareholders.

These and similar statements are based on management’s current views, estimates and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those anticipated by such statements. We caution readers not to place undue influence on these statements, which speak only as of the date of this report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2015 (the “first half 2015 unaudited interim condensed consolidated financial statements”) and the related notes presented elsewhere in this document. Our first half 2015 unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

As of June 30, 2015, all IFRSs that the International Accounting Standards Board (“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, our first half 2015 unaudited interim condensed consolidated financial statements would be no different if we had applied IFRS as issued by the IASB. References to “IFRS” in this Form 6-K refer to IFRS as adopted by the EU.

CRITICAL ACCOUNTING POLICIES

Our Operating and Financial Review and Prospects is based on our first half 2015 unaudited interim condensed consolidated financial statements, which are prepared in accordance with IFRS as described in Note 1 to those financial statements and more fully in Note 1 to our 2014 audited consolidated financial statements included in our 2014 20-F. Some of the accounting methods and policies used in preparing our first half 2015 unaudited interim condensed consolidated financial statements under IFRS are based on complex and subjective assessments by our management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of our assets, liabilities and shareholders’ equity and of our earnings could differ from the value derived from these estimates if conditions changed and these changes had an impact on the assumptions adopted.

We believe that the accounting methods and policies listed below are the most likely to be affected by these estimates and assessments.

a/ Valuation allowance for inventories and work in progress

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

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

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

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

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/ Provision for warranty costs and other product sales reserves

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

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

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 its 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

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 are determined based on Iboxx AA Corporate yields.

Holding all other assumptions constant, a 0.5% increase or decrease in the discount rate would have increased or decreased the 2014 net pension and post-retirement benefits costs (determined in accordance with IAS 19 “Employee Benefits” (revised)) by approximately €75 million and €(34) 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.

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, 2014 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, 2014, and since the 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), our other comprehensive income would be negatively impacted by approximately €308 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 of our 2014 audited consolidated financial statements), we estimated that, as of December 31, 2014, the excess of assets above 120% of the plan obligations was U.S.$1.8 billion (€1.5 billion), and the excess above 125% of plan obligations was U.S.$1.4 billion (€1.2 billion).

h/ Revenue recognition

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 our net income (loss) could be significant.

i/ Restructuring costs and impact on goodwill impairment test

On July 26, 2012, we announced the launch of the "Performance Program" to achieve additional cost reductions to bring total savings to €1.25 billion by the end of 2013. This program included the elimination of approximately 5,500 jobs across the Group, and provided for exiting or restructuring unprofitable Managed Services contracts, along with associated headcount reductions, and exiting or restructuring unprofitable markets.

On June 19, 2013, we announced the launch of The Shift Plan. Through this plan and the remainder of the Performance Program, we aim at notably reducing our fixed-cost base by €950 million in 2015 compared to our 2012 cost base, using constant exchange rates (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.

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, 2014, we expensed €238 million of restructuring costs for these actions. The remaining restructuring costs related to The Shift Plan will be reserved and 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 to the 2014 audited consolidated financial statements included in our 2014 20-F. 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.

1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

1.1 OVERVIEW OF THE FIRST HALF OF 2015

In the first half of 2015, the telecommunications equipment and related services market witnessed mixed trends across different regions. The U.S. witnessed a softer spending environment in the first half of 2015 compared to the first half of 2014, China saw network investments in TD-LTE deployments that began in 2014 continue, while the telecommunications equipment market in Europe kept showing signs of improvement.

In addition to regional trends, the industry trends that we experienced in 2014 also continued to play a significant role in shaping the spending for telecommunications equipment and related services in the first half of 2015. The telecommunications industry continues to experience fast changes driven by the massive adoption of new mobile devices and of new applications and services. Network operators continue their transition to all-IP architectures, with an emphasis on fast access to their networks through copper, fiber, LTE and new digital services delivery. Cable operators are also investing to deploy high-speed networks. Additionally, network and cloud infrastructure are intersecting, allowing for the hosting of enterprise and consumer applications. Web scale companies, such as Amazon and Google, and large enterprises are driving the development of huge data centers, providing seamless IP interconnection and digital services delivery on a large scale. IP routing is at the heart of the telecommunications equipment and related services industry transformation, impacting fixed and mobile broadband as well as cloud services.

To better align ourselves with these industry trends, on June 19, 2013 we announced The Shift Plan, a detailed three-year plan to reposition our Company as a specialist provider of IP and Cloud Networking and Ultra-Broadband Access, the high-value equipment and services that are essential to high-performance networks.

Our progress on The Shift Plan through June 30, 2015 can be found in Chapter 1.6 “Strategy and Outlook”.

This combination of regional and industry trends resulted in mixed spending in the market for telecommunications equipment and related services in the first half of 2015. These trends, in addition to other factors, such as changes in foreign exchange rates, were drivers of how our businesses performed in the first half of 2015, with total sales increasing 7.1% compared to the first half of 2014. Details on segment performance can be found in Chapter 1.3 “Consolidated results of operations for the six months ended June 30, 2015 compared to the six months ended June 30, 2014.”

HIGHLIGHTS OF TRANSACTIONS OF THE FIRST HALF OF 2015

Announcement of an intended public exchange offer by Nokia for the Company's securities. On April 15, 2015, Nokia Corporation and Alcatel-Lucent announced that they entered into a memorandum of understanding under which Nokia will make an offer for all of Alcatel-Lucent's equity securities through a public exchange offer in France and in the United States, subject to certain conditions.

TRANSACTION HIGHLIGHTS

0.55 of a newly issued ordinary share of Nokia (subject to adjustments for any dividend other than the previously paid Nokia dividend for 2014) would be offered in exchange for each ordinary share and each American Depositary Share of Alcatel-Lucent. An equivalent offer would be made for each outstanding class of Alcatel-Lucent convertible bonds: OCEANE 2018, OCEANE 2019 and OCEANE 2020.

The offer values Alcatel-Lucent at €15.6 billion on a fully diluted basis, after taking into account the early conversion of Alcatel-Lucent's convertible bonds and associated dilution, corresponding to a fully diluted premium of 34% (equivalent to €4.48 per share), and a premium to the 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 is based on Nokia's closing share price of €7.77 on April 13, 2015.

Holders of Alcatel Lucent shares and OCEANEs would collectively own 33.5% of the fully diluted share capital of the combined company, and Nokia shareholders would own 66.5%, assuming full acceptance of the public exchange offer by such holders.

The combined company would be called Nokia Corporation, with headquarters in Finland and a strong presence in France. Risto Siilasmaa is expected to serve as Chairman, and Rajeev Suri as Chief Executive Officer.

The combined company's Board of Directors is expected to have nine or ten members, including three members nominated jointly by the Corporate Governance & Nomination committee of the Nokia Board of Directors and by Alcatel-Lucent, one of whom would serve as Vice Chairman, in each case subject to the approval of the shareholders of Nokia.

OTHER TRANSACTION TERMS

The proposed transaction is expected to be structured as a public exchange offer in France and in the United States in accordance with the General Regulation of the French securities regulator, the *Autorité des Marchés Financiers* (the "AMF"), and all applicable securities laws and regulations in the United States, respectively.

The public exchange offer and the proposed combination are expected to be implemented in accordance with the terms and conditions of the binding memorandum of understanding between Nokia and Alcatel-Lucent. In addition to the offer terms, the memorandum of understanding contains representations, warranties and undertakings by Nokia and Alcatel-Lucent typical in similar transactions. The memorandum of understanding may be terminated by Nokia or Alcatel-Lucent under certain circumstances prior to the filing and/or completion of the public exchange offers, including, for example, a material breach by either party of the terms and conditions of the memorandum of understanding prior to the filing of the offers, the occurrence of a material adverse effect in respect of either party prior to the filing of the offers, the Board of Directors of either party not issuing, or amending in an adverse manner its recommendation in favor of the transaction, failure to receive regulatory approvals and certain other circumstances. The parties have further agreed on certain termination fees customary in similar transactions and payable to the other party under certain circumstances, including a change or withdrawal of the recommendation in favor of the transaction by the Board of Directors of either party, and Nokia's failure to obtain the necessary shareholder approval or certain antitrust or regulatory approvals.

Subject to Nokia acquiring at least 95% of the share capital and voting rights of Alcatel-Lucent pursuant to the public exchange offer, Nokia intends to commence a squeeze-out procedure of the remaining outstanding Alcatel-Lucent shares.

The full text of the memorandum of understanding is expected to be publicly filed in connection with the public exchange offer in due course.

CONDITIONS TO OPENING AND COMPLETION OF THE PUBLIC EXCHANGE OFFER

The opening of the public exchange offer is subject to, among other things, completion of relevant works council consultations; receipt of regulatory approvals in the relevant jurisdictions; the absence of any material adverse event occurring with respect to Nokia or Alcatel-Lucent immediately prior to the filing of the offer with the AMF, the French securities regulator; the issuance by Alcatel-Lucent's Board of a formal recommendation (*avis motivé*) in favour of the public exchange offer; and to other customary conditions.

In accordance with the French public tender offer rules, following launch of the public exchange offer the completion of the offer will only be subject to the approval by Nokia's shareholders of the resolutions necessary to implement the combination and the public exchange offer, and to Nokia holding more than 50.00% of the share capital of Alcatel-Lucent on a fully diluted basis upon the closing of the public exchange offer.

Consultation of the French Group Committee. After the announcement of the execution of the memorandum of understanding with Nokia, Alcatel-Lucent immediately began the information process of its French Group Committee (*Comité de Groupe France*) as required by applicable French regulation in order to obtain its opinion on the proposed public exchange offer. On June 1, 2015, Alcatel-Lucent's French Group Committee delivered its opinion, indicating that it does not oppose the proposed combination with Nokia.

On June 4, 2015, following the delivery of the opinion of Alcatel-Lucent French Group Committee, the Alcatel-Lucent Board of Directors expressed its full support for the proposed combination with Nokia. The opinion of the French Group Committee will be included as part of Alcatel-Lucent's offer response document to be filed with the AMF in response to the French offer document, which Nokia is expected to file with the AMF following receipt of material regulatory approvals.

Listing of Nokia shares. Nokia shares are listed on Nasdaq Helsinki (NOK1V), and on the New York Stock Exchange in the form of American Depositary Receipts (NOK). In addition, Nokia is expected to apply to list its shares on Euronext Paris in connection with the public exchange offer.

Antitrust clearance. 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, and that they had already obtained antitrust clearances in Brazil and Serbia. On July 24, 2015, Nokia announced that, following a Phase 1 review, it had received approval without conditions from the European Commission for its pending acquisition of Alcatel-Lucent.

Amendments to the terms of the long-term compensation schemes of the Group employees and of the CEO in the context of the contemplated public exchange offer by Nokia. In the context of the contemplated combination, the Alcatel-Lucent Board of Directors, at its meetings of April 14, 2015 and July 29, 2015 approved several amendments to the existing long-term compensation schemes of the Group.

Alcatel Lucent Stock Options:

Given the exceptional circumstances of the contemplated transaction, the Board of Directors approved the vesting of all stock options held by Group employees, representing 11,570,193 underlying Alcatel-Lucent shares (approximately 0.410% of the share capital). Furthermore, in lieu of the 2014 Stock Options Plan initially considered but in the end not implemented, the Board of Directors approved the principle of granting up to 4.3 million Alcatel-Lucent shares (representing approximately 0.308% of the share capital), under certain conditions, to 2,456 employees.

Alcatel Lucent Performance Shares:

Beneficiaries holding performance shares that will not vest prior to the completion of the public exchange offer will be offered the opportunity to exchange their unvested performance shares (which represent 18,540,704 Alcatel-Lucent shares, that is, approximately 0.654% of the share capital), for a number of Alcatel-Lucent shares equal to the number of performance shares they would have been entitled to receive under the relevant plans.

Compensation of the Chief Executive Officer:

Alcatel Lucent Performance Units

In light of the exceptional circumstances resulting from the contemplated transaction, and taking into account the accelerated vesting of the Group's employee long-term incentive plans, the Board of Directors waived the presence condition applicable to the 2013, 2014 and 2015 Performance Units Plans of the Chief Executive Officer, Mr. Michel Combes.

The Performance Units Plans as initially approved entitled Mr. Michel Combes to receive a future cash payment. However, in lieu of such cash payment, Mr. Michel Combes will receive Alcatel-Lucent shares according to a ratio of 1 Alcatel-Lucent share for 1 Performance Unit, subject to the completion of the public exchange offer.

Alcatel Lucent Stock Options

Similar to what is provided for employee beneficiaries of stock option plans, the Board of Directors decided to replace the undertaking to grant stock options to Mr. Michel Combes with a grant of 350,000 Alcatel-Lucent shares to him, subject to the completion of the public exchange offer.

For more information, please refer to our website (https://www.alcatel-lucent.com), section Corporate Governance. No material on Alcatel-Lucent's website forms a part of this report on Form 6-K. References in this document to Alcatel Lucent's website are included as an aid to the location of certain information and such information is not incorporated by reference in this document.

Additional information. Additional information is available at http://www.newconnectivity.com/. When the public exchange offer is filed by Nokia and approved by the AMF, the Nokia offer document *(note d'information)* as well as the Alcatel Lucent response document *(note en réponse)*, containing detailed information relating to the public exchange offer, will be available on the AMF website (www.amf-france.org), Nokia's website (http://company.nokia.com/en) and Alcatel Lucent's website (https://www.alcatel-lucent.com/). No material on these websites forms a part of this report on Form 6-K. References in this document to these websites are included as an aid to the location of certain information and such information is not incorporated by reference in this document.

Significant shareholding. According to the notification filed with the AMF, and sent to Alcatel-Lucent on April 23, 2015, Odey Asset Management LLP (UK), acting on behalf of funds it manages, exceeded the 5% thresholds of the share capital and voting rights, respectively, and then declared that it went below, on July 3, 2015, the 5% thresholds of the share capital and voting rights. Odey Asset Management LLP (UK) holds, at July 3, 2015, 139,392,474 Alcatel-Lucent shares representing 4.92% of the share capital and 4.84% of the voting rights of Alcatel-Lucent.

Appointment of a new Director. The shareholders approved the appointment of Mrs. Sylvia Summers as Director of our Company at the Shareholders' Meeting held May 26, 2015, for a period of three years. Mrs. Sylvia Summers, 62 years old, is both a French and U.S. citizen, and has a strong expertise in the high tech industry sector.

2014 dividend. Our Board determined not to pay a dividend on our ordinary shares and ADSs based on the 2014 results. This proposal was approved at our Annual Shareholders' Meeting on May 26, 2015.

Acquisition of the remaining shareholding of Alda Marine. On March 18, 2015, we entered into a new partnership agreement with Louis Dreyfus Armateurs (LDA) for our submarine cables activity. Our subsidiary Alcatel-Lucent Submarine Networks acquired all of the shares of Alda Marine, our former joint-venture with LDA, previously held by LDA, for €76 million in cash. LDA remains our strategic marine partner. In conjunction with such acquisition, Alcatel-Lucent Submarine Networks entered into a €86 million credit facility agreement with a seven year-maturity that was fully drawn at that date. This €86 million also partially covered the acquisition by Alcatel-Lucent Submarine Networks of a cable vessel.

1.2 HIGHLIGHTS OF RECENT EVENTS

Governance. At its meeting of July 29, 2015, the Board of Directors accepted the resignation of Mr. Michel Combes from his position of CEO and Director of Alcatel-Lucent. As Mr. Michel Combes wishes to launch the implementation of the combination and ensure a smooth transition to the new Leadership team, this resignation will become effective on September 1, 2015.

New Leadership team for the purpose of the announced combination with Nokia. At its meeting of July 29, 2015, the Board of Directors appointed, for the duration of the transition period, Mr. Philippe Camus, presently Chairman of the Board of Alcatel-Lucent, as Chairman and Interim CEO, effective September 1, 2015. Mr. Jean-Cyril Spinetta is appointed Lead Director of the Board ("*administrateur référent*"). Mr. Philippe Guillemot, Chief Operating Officer, will be in charge of leading the operational management of the Group. Mr. Jean Raby, Chief Finance and Legal Officer, will be responsible for completing the proposed transaction with Nokia. Messrs. Philippe Guillemot and Basil Alwan (President of the IP Routing & Transport business line) will jointly lead the integration team. During the transition period, the Leadership team will be responsible for achieving Alcatel-Lucent's 2015 targets under The Shift Plan, closing the proposed transaction with Nokia and preparing for the integration with Nokia.

Non compete. Given Mr. Michel Combes' level of expertise in the telecom sector and his involvement in the business of the Company, the Board of Directors, upon recommendation of the Compensation Committee and the Corporate Governance and Nominations Committee, has requested, in order to ensure the protection of the Company's business going forward, the execution of a non-compete agreement with Mr. Michel Combes. Pursuant to this agreement, Mr. Michel Combes undertakes not to compete whether directly or indirectly against the Company for a three year period, in consideration for an indemnity in Alcatel Lucent shares or Nokia shares, as the case may be, payable in three instalments.

For more information, please refer to our website (https://www.alcatel-lucent.com), section Corporate Governance. No material on Alcatel-Lucent's website forms a part of this report on Form 6-K. References in this document to Alcatel Lucent's website are included as an aid to the location of certain information and such information is not incorporated by reference in this document.

1.3 CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2015 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2014

The following discussion takes into account our results of operations for the six months ended June 30, 2015 and June 30, 2014, including the impact of the sale of 85% of the Enterprise business in September 2014, which was treated as discontinued operation in 2014.

Revenues. Revenues were €6,685 million in the first half of 2015, an increase of 7.1% from €6,242 million in the first half of 2014. Approximately 67% of our revenues for the first half of 2015 were denominated in or linked to the U.S. dollar. When we translate our non-euro sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. If there had been constant exchange rates in the first half of 2015 as compared to the first half of 2014, our consolidated revenues would have decreased by approximately 7.3% instead of the 7.1% increase actually reported. This is based on applying (i) to our sales made directly in currencies other than the euro effected during the first half of 2015, the average exchange rate that applied for the comparable period in 2014, instead of the average exchange rate that applied for the first half of 2015, and (ii) to our exports (mainly from Europe) effected during the first half of 2015 which are denominated in other currencies and for which we enter into hedging transactions, our average hedging rates that applied for the comparable period in 2014. Our management believes that providing our investors with our revenues for the first half of 2015 at a constant exchange rate facilitates the comparison of the evolution of our revenues with that of our competitors in the industry.

In the first quarter of 2014, we completed the disposal of LGS Innovations LLC. If there had been constant perimeter, meaning that we would exclude revenues related to LGS Innovations, and constant exchange rates in the first half of 2015 as compared to those in the same period of 2014, our consolidated revenues would have decreased by approximately 6.9% instead of the 7.1% increase actually reported. Our management uses our revenues for the first half of 2015 at a constant exchange rate and constant perimeter internally and they believe that providing our investors with this information facilitates the comparison of the evolution of our revenues with that of our competitors in the industry. These revenues at constant rate are non-IFRS financial measures, and should be viewed as complementary to, and not as replacements for, the comparable IFRS financial measures and reported revenue figures.

The table below sets forth our revenues as reported, the conversion and hedging impact of the euro/other currencies, the perimeter adjustment for LGS and our revenues at a constant rate:

(In millions of euros)

	Six months ended June 30, 2015	Six months ended June 30, 2014	% Change
Revenues as reported	6,685	6,242	7.1%
Conversion impact euro/other currencies	(837)		-12.5%
Hedging impact euro/other currencies	(73)		-1.1%
Perimeter (mainly sale of LGS in 2014)	(11)	(52)	
Revenues at constant rate	5,764	6,191	-6.9%

Revenues by segment and division

The following table sets forth revenues by segment and division:

(In millions of euros)	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**
Core Networking	**3,125**	**2,721**
IP Routing	*1,242*	*1,110*
IP Transport	*1,122*	*938*
IP Platforms	*761*	*673*
Access	***3,554***	***3,479***
Wireless	*2,332*	*2,298*
Fixed	*1,054*	*981*
Managed Services	*136*	*176*
Licensing	*32*	*24*
Other and Unallocated	**6**	**42**
Total	**6,685**	**6,242**

Core Networking Segment

Revenues in our Core Networking segment, which consists of our IP Routing, IP Transport and IP Platforms divisions, were €3,125 million in the first half of 2015, an increase of 14.8% from €2,721 million in the first half of 2014, using current exchange rates. When we translate the non-euro portion of Core Networking sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. If there had been constant exchange rates in the first half of 2015 as compared to the first half of 2014, our Core Networking segment revenues would have increased by 2.9%.

Revenues in our IP Routing division were €1,242 million in the first half of 2015, an increase of 11.9% from €1,110 million in the first half of 2014. Excluding the impact from foreign exchange rates, this business would have declined approximately 1.0%, as growth in Europe, Middle East and Africa (EMEA) and Central and Latin America (CALA) was not enough to offset lower spending in North America and Japan.

Revenues in our IP Transport division, which includes our terrestrial and submarine optics businesses, were €1,122 million in the first half of 2015, an increase of 19.6% from €938 million in the first half of 2014. Excluding the impact from foreign exchange rates, this business would have grown approximately 11.3%, reflecting strength in both our WDM portfolio, led by the EMEA and CALA regions, and our submarine optics business, which benefitted from a cyclical upswing in revenues.

Revenues in our IP Platforms division, which includes software and related services, were €761 million in the first half of 2015, an increase of 13.1% from €673 million in the first half of 2014. Excluding the impact from foreign exchange rates, this business would have decreased 2.4%, as growth in next-generation technologies such as IP Multimedia Subsystems (IMS) for Voice over LTE (VoLTE), particularly in North America, was more than offset by declines related to the end of the phase out of legacy technologies, as we restructured this business.

Access Segment

Revenues in our Access segment, which consists of our Wireless Access, Fixed Access, Managed Services and Licensing divisions, were €3,554 million in the first half of 2015, an increase of 2.2% from €3,479 million in the first half of 2014, using current exchange rates. When we translate the non-euro portion of Access sales into euros for accounting purposes, there is an exchange rate impact based on the relative value of the euro versus other currencies, including the U.S. dollar. If there had been constant exchange rates in the first half of 2015 as compared to the first half of 2014, our Access segment revenues would have decreased by 12.7%.

Revenues in our Wireless Access division increased 1.5% in the first half of 2015, to €2,332 million from €2,298 million in the first half of 2014. Excluding the impact from foreign exchange rates, this business would have declined approximately 15.2% of 2015, as we experienced strong growth in LTE spending in North America in the year-ago period, and China was impacted by project timing in the second quarter of 2015.

Revenues in our Fixed Access division were €1,054 million in the first half of 2015, an increase of 7.4% from €981 million in the first half of 2014. Excluding the impact from foreign exchange rates, this business would have declined approximately 4.8%, as strength in Asia Pacific (APAC) region, notably in fiber technologies, and CALA was offset by a lower spending in North America and Japan.

Revenues in our Managed Services division were €136 million in the first half of 2015 compared to €176 million in the first half of 2014, a decrease of 22.7% as this business continued to be impacted by our strategy to terminate or restructure margin-dilutive contracts. Excluding the impact from foreign exchange rates, this business would have declined approximately 28.4%.

Revenues in our Licensing division were €32 million in the first half of 2015 compared to €24 million in the first half of 2014, an increase of 33.3%.

Revenues by geographical market

Revenues for the first half of 2015 and the comparable period in 2014 by geographical market (calculated based upon the location of the customer) are shown in the table below:

(In millions of euros)

Revenues by geographical market	France	Other Western Europe	Rest of Europe	China	Other Asia Pacific	U.S.	Other Americas	Rest of world	Consolidated
1st Half 2015	386	998	112	568	707	2,917	515	482	6,685
1st Half 2014	360	910	111	581	575	2,788	422	495	6,242
% Change 2015 vs. 2014	7%	10%	1%	-2%	23%	5%	22%	-3%	7.1%

In the first half of 2015, the United States accounted for 43.6% of revenues, down from 44.7% in the comparable period in 2014. Revenues increased 5% in the U.S. as sales benefitted from a stronger US dollar despite a softer spending environment in the first half of 2015. Europe accounted for 22.4% of revenues in the first half of 2015 (5.8% in France, 14.9% in Other Western Europe and 1.7% in Rest of Europe), up from 22.1% in the comparable period in 2014 (5.8% in France, 14.6% in Other Western Europe and 1.8% in Rest of Europe). Europe witnessed encouraging trends in the first half of 2015, with momentum in IP Routing, IP Transport and Fixed Networks. Within Europe, revenues increased 7% in France, 10% in Other Western Europe and 1% in Rest of Europe. Asia-Pacific accounted for 19.1% of revenues in the first half of 2015 (8.5% in China and 10.6% in Other Asia Pacific), up from 18.5% in the comparable period 2014 (9.3% in China and 9.2% in Other Asia Pacific), as declines in China, related to Wireless, and Japan, related to IP Routing, were partially offset by strength in other countries including Australia and India. Revenues in Other Americas were driven by strength in Central and Latin America in the first half of 2015 as revenues grew 22% from the comparable period in 2014, as its share of total revenue increased from 6.8% to 7.7%. The Rest of World share of total revenue decreased to 7.2% in the first half of 2015, from 7.9% in the comparable period of 2014, as revenues decreased 3% compared to the first half of 2015 driven by weakness in the Middle East and Africa from the growth it experienced in the comparable period of 2014.

Gross profit. In the first half of 2015, gross profit as a percentage of revenues increased to 34.7%, compared to 32.4% in the first half of 2014, and increased in absolute terms, to €2,321 million in the first half of 2015 from €2,024 million in the year-ago period. The increase in gross profit was mainly attributable to improved profitability in addition to favorable product mix, notably related to software, in several business lines.

We sell a wide variety of products in many geographic markets. Profitability per product can vary based on a product's maturity, the required intensity of R&D and our overall competitive position. In addition, profitability can be impacted by geographic area, depending on the local competitive environment, our market share and the procurement policy of our customers. In the first half of 2015, we witnessed trends, where, as noted above, a shift in product mix positively impacted gross profit.

Administrative and selling expenses. For the first half of 2015, administrative and selling expenses were €864 million or 12.9% of revenues compared to €792 million, or 12.7% of revenues in the comparable period in 2014. The 9.1% increase in administrative and selling expenses reflects the impact of a stronger US dollar on our expenses in the first half of 2015 as well as investments made in marketing initiatives. These increases were only partially offset by efforts to reduce fixed costs as part of The Shift Plan. Non-cash purchase accounting entries included in administrative and selling expenses resulting from the Lucent business combination were €15 million in the first half of 2014, and €0 million in the first half of 2015 due to the phasing out of the amortization of administrative and selling expenses in the period.

Research and development costs. Research and development costs were €1,213 million or 18.1% of revenues in the first half of 2015, an increase of 11.3% from €1,090 million or 17.5% of revenues in the first half of 2014. The 11.3% increase in research and development costs period over period reflects the impact of a stronger US dollar on our expenses. Included in research and development costs are non-cash purchase accounting entries resulting from the Lucent business combination of €13 million in the first half of 2015 and €12 million in the first half of 2014.

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

In the first half of 2015, income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendment was €244 million compared to income of €142 million in the first half of 2014. The improvement in the first half of 2015 reflects higher gross profits partially offset by higher administrative and selling expenses and research and development costs. Non-cash purchase accounting (PPA) entries resulting from the Lucent business combination had a negative impact of €13 million in the first half of 2015, which was lower than the impact of €27 million in the first half of 2014 mainly due to phasing out of amortization related to administrative and selling expenses in the first half of 2015.

The tables below set forth our revenues and segment operating income (loss):

(In millions of euros)

Six months ended June 30, 2015	Core Networking	Access	Total Reportable Segments	Other and unallocated amounts	Total
Revenues	**3,125**	**3,554**	**6,679**	**6**	**6,685**
Segment Operating Income (Loss)	**194**	**90**	**284**	**(27)**	**257**
PPA Adjustments (excluding restructuring costs and impairment of assets)					**(13)**
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments					**244**

(In millions of euros)

Six months ended June 30, 2014	Core Networking	Access	Total Reportable Segments	Other and unallocated amounts	Total
Revenues	**2,721**	**3,479**	**6,200**	**42**	**6,242**
Segment Operating Income (Loss)	**219**	**(26)**	**193**	**(24)**	**169**
PPA Adjustments (excluding restructuring costs and impairment of assets)					**(27)**
Income (loss) from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments					**142**

In the first half of 2015, segment operating income of €257 million for the Group, adjusted for €13 million in PPA, yielded an income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments of €244 million. In the first half of 2014, segment operating income of €169 million for the Group, adjusted for €27 million in PPA, yielded an income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments of €142 million. The improvement in the first half of 2015 reflects higher gross profit partially offset by higher administrative and selling expenses and research and development costs.

Operating income in our Core Networking segment was €194 million or 6.2% of revenues in the first half of 2015, compared with an operating income of €219 million or 8.0% of revenues in the first half of 2014. The year-over-year decline reflects lower segment operating income in the first quarter of 2015, which was attributable to reinvestments made in new marketing initiatives to promote future growth as well as lower contribution from IP Routing.

Operating income in our Access segment was €90 million or 2.5% of revenues in the first half of 2015, compared with an operating loss of €26 million in the first half of 2014. The year-over-year improvement reflects continued strong contribution from our Fixed Access business in addition to improvements in both Wireless and Managed Services.

Restructuring Costs. Restructuring costs were €191 million in the first half of 2015, compared to €342 million in the first half of 2014. The lower amount of restructuring costs in the first half of 2015 reflects a number of restructuring and outsourcing initiatives under The Shift Plan that began in the first half of 2014, which drove costs higher.

Litigations. In the first half of 2015, we recorded a litigation charge of €19 million mainly related to environmental litigations compared to the first half of 2014, when we recorded a litigation credit of €4 million.

Gain/(loss) on disposal of consolidated entities. In the first half of 2015, we recognized a loss on the disposal of consolidated entities of €8 million compared to a loss of €19 million in the first half of 2014. The amount in 2014 was due to the disposal of LGS Innovations LLC. In the first half of 2015, the €8 million mainly includes €7 million of costs related to the Nokia transaction and a price adjustment related to the sale of our cyber security business to Thales.

Income (loss) from operating activities. Income from operating activities was €25 million in the first half of 2015, compared to a loss of €215 million in the comparable period of 2014. The improvement in the first half of 2015 is due, in part, to higher gross profit, lower restructuring costs and smaller losses on disposal of consolidated entities partially offset by higher operating expenses and litigation charges.

Finance costs. Finance costs in the first half of 2015 were €135 million, compared to €154 million in the first half of 2014. The decrease of finance costs compared to the year-ago period is mainly due to the early repayment in January 2014 of the 7.75% convertible trust preferred securities issued by Lucent Technologies Capital Trust I.

Other financial income (loss). Other financial losses were €7 million in the first half of 2015, compared to losses of €118 million in the first half of 2014. In the first half of 2015, other financial loss consisted primarily of a loss of €57 million related to the financial component of pension and post-retirement benefit costs and a foreign exchange loss of €27 million which were mostly offset by €108 in capital gains mainly related to our purchase of the equity owned by our joint venture partner in Alda Marine. In the first half of 2014, other financial loss consisted primarily of (i) the impact of the accelerated amortization of the issuing fees of the secured credit facility that we intended to repay in August 2014 following the issuance of the 0.000% and 0.125% OCEANEs on June 10, 2014, (ii) a loss of €18 million related to the financial component of pension and post-retirement benefit costs which were partially offset by a reversal of impairment loss of €10 million.

Share in net income (losses) of associates and joint ventures. Share in net income of associates and joint ventures was €1 million during the first half of 2015, compared with €7 million during the first half of 2014.

Income (loss) before income tax and discontinued operations. Income (loss) before income tax and discontinued operations was a loss of €116 million in the first half of 2015 compared to a loss of €480 million in the first half of 2014.

Income tax benefit (expense). We had an income tax expense of €6 million for the first half of 2015, compared to an income tax benefit of €92 million for the first half of 2014. The income tax expense for the first half of 2015 resulted from a net deferred income tax benefit of €33 million, which was more than offset by a current income tax charge of €39 million. The €33 million net deferred tax benefit was mainly related to the reassessment of the recoverability of deferred tax assets in the US. The income tax benefit for the first half of 2014 resulted from a net deferred income tax benefit of €120 million, partially offset by a current income tax charge of €28 million. The €120 million net deferred tax benefit includes: (i) €92 million of deferred income tax benefits related to the re-assessment of the recoverability of deferred tax assets in the US, (ii) €11 million of deferred taxes related to PPA for the Lucent business combination and (iii) a €4 million deferred income tax benefits related to convertible debentures and Oceane.

Income (loss) from continuing operations. We had a loss from continuing operations of €122 million in the first half of 2015 compared to a loss of €388 million in the first half of 2014.

Income (loss) from discontinued operations. In the first half of 2015, we had a loss from discontinued operations of €14 million related to additional carve-out costs for the Enterprise business we disposed of in 2014. Income from discontinued operations in the first half of 2014 was €19 million related to the sale of our Enterprise business.

Non-controlling interests. Non-controlling interests accounted for a loss of €10 million in the first half of 2015, compared to an income of €2 million in the first half of 2014. The decline in the first half of 2015 compared to the first half of 2014 is due largely to losses from our operations in China through Alcatel-Lucent Shanghai Bell, Co. Ltd. and its subsidiaries.

Net income (loss) attributable to equity owners of the parent. A net loss of €126 million was attributable to equity holders of the parent during the first half of 2015, compared with a net loss of €371 million in the first half of 2014.

1.4 LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents increased €129 million in the first half of 2015 from €3,878 million as of December 31, 2014 to €4,007 million as of June 30, 2015. This increase was mainly due to cash provided by operating activities before changes in working capital, interest and taxes amounting to €348 million, but the increase was partially offset by cash used in investing activities of €375 million. In addition, the increase in cash and cash equivalents in the first half of 2015 was driven by the positive impact of the net exchange rate changes of €439 million, reflecting mainly the change of the euro/U.S. dollar exchange rate of our cash and cash equivalents denominated in U.S. dollars.

Net cash provided (used) by operating activities. Net cash provided by operating activities before changes in working capital, interest and taxes was €348 million for the first half of 2015 compared to €79 million for the first half of 2014. This increase was primarily due to higher income from operating activities before restructuring costs, litigations, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments, which amounted to €244 million for the first half of 2015 compared to €142 million for the first half of 2014.

Changes in working capital had a negative impact of €232 million on net cash provided by operating activities before interest and taxes in the first half of 2015 compared to a negative effect of €285 million for the first half of 2014.

Changes in inventories and work in progress had an unfavorable effect on our net cash from operating activities of €116 million in the first half of 2015 compared to €192 million in the first half of 2014. The decrease of our inventories and work in progress included the impact of the outsourcing of some IP Transport activities that the Group had previously performed in Italy.

Changes in trade receivables and other receivables were stable at €94 million for the first half of 2015 compared to €101 million for the first half of 2014.

Changes in trade payables and other payables used cash of €172 million in the first half of 2015 compared to €40 million in the first half of 2014. The increase is mainly driven by lower levels of inventories.

Changes in customers' deposits and advances had a favorable impact of €96 million in the first half of 2015 compared to €1 million in the first half of 2014, due to advances and deposits related to certain software licensing contracts in the U.S. in the first half of 2015.

Changes in current assets and liabilities were relatively stable at €139 million in the first half of 2015 compared to €153 million in the first half of 2014.

Interest paid decreased to €133 million for the first half of 2015 compared to €151 million for the first half of 2014 mainly due to the refinancing and the repayment prior to maturity of certain debts early in the first half of 2014.

As a result of the above, net cash used by operating activities was €23 million for the first half of 2015 compared to net cash used of €379 million for the first half of 2014.

Net cash provided (used) by investing activities. Net cash used by investing activities was €375 million in the first half of 2015 compared to net cash provided of €450 million in the first half of 2014, which was mainly due to the €544 million in sale proceeds of marketable securities. Capital expenditures slightly increased from €232 million in the first half of 2014 to €259 million in the first half of 2015. During the first half of 2015, we also acquired (i) the 49% shareholding interest in Alda Marine for €76 million, our former joint-venture with Louis Dreyfus Armateurs ("LDA"), previously held by LDA and (ii) a cable vessel, for €26 million.

Net cash provided (used) by financing activities. Net cash provided by financing activities amounted to €55 million for the first half of 2015 compared to €255 million for the first half of 2014.

On March 18, 2015, in conjunction with the acquisition of the remaining equity of Alda Marine and a cable vessel, Alcatel-Lucent Submarine Networks entered into a €86 million credit facility agreement with a seven year-maturity that was fully drawn at that date.

In the first half of 2014, we issued convertible/exchangeable bonds ("OCEANE") in two tranches for a total nominal amount of €1,148 million and we repaid in full the outstanding principal amount of U.S.$931 million on the 7.75% Convertible Trust Preferred Securities due 2017 issued by Lucent Technologies Capital Trust I and the 6.375% Senior Notes due April 2014 for the remaining outstanding amount of €274 million.

CAPITAL RESOURCES

Resources. Over time, we may derive our capital resources from a variety of sources, including the generation of positive cash flow from on-going operations, proceeds from asset sales, the issuance of debt and equity in various forms, and credit facilities. Our ability to continue to draw upon these resources is dependent upon a variety of factors, including our customers' ability to make payments on outstanding accounts receivable, who may ask for extended payment terms during the year; the perception of our credit quality by lenders and investors, the debt and equity market conditions generally and our compliance with the terms of our debt Indentures.

Given current conditions, access to the debt and equity markets may not be relied upon at any given time. Also, our on-going operations did not generate positive cash flow in either the first half of 2015 or during the same period of 2014. Counterbalancing this, our cash, cash equivalents and marketable securities, including short-term investments, amounted to €5,777 million as of June 30, 2015. Although approximately €1,056 million of this cash, cash equivalents and marketable securities are subject to exchange control restrictions in certain countries (primarily China), that may limit the use of such funds by our subsidiaries outside of the local jurisdiction, we do not expect that such restrictions will have an impact on our ability to meet our cash obligations.

Syndicated Bank Credit Facility. On December 17, 2013, we obtained a €504 million three-year revolving credit facility with a syndicate of 12 international banks. The availability of funds under the credit facility is not dependent upon Alcatel-Lucent's credit ratings. Alcatel-Lucent's ability to draw on the credit facility is conditioned upon compliance with a financial covenant linked to the Group's capacity to cover its interest charges. Alcatel-Lucent USA Inc. and some subsidiaries of the Group have provided senior unsecured guarantees in respect of this revolving credit facility.

This credit facility was undrawn as of June 30, 2015.

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

At July 29, 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.	B3	B3/Caa1(1)	Not Prime	Review for upgrade	December 4, 2012/ December 19, 2013	April 20, 2015
Alcatel-Lucent USA Inc.	n.a.	B3(2)	n.a	Review for upgrade	December 12, 2013	April 20, 2015
Standard & Poor's:						
Alcatel-Lucent S.A.B		B	B	Cr. Watch Positive	August 18, 2014	April 17, 2015
Alcatel-Lucent USA Inc.B		B	n.a	Cr. Watch Positive	August 18, 2014	April 17, 2015

(1) The OCEANE 2018 as well as the OCEANE 2019 and 2020 are rated Caa1; all other long-term debt issued by Alcatel-Lucent is rated B3.
(2) The 8.875% Senior Notes, the 6.75% Senior Notes and the 4.625% Senior Notes are each rated B3. Ratings were withdrawn on January 20, 2012 for the Alcatel-Lucent USA Inc. 6.50% Notes due 2028 and 6.45% Notes due 2029.

Short-term cash requirements. Our short-term cash requirements are primarily related to funding our operations, including our restructuring plans, capital expenditures and short-term debt repayments.

Restructuring Plan. Through the launch of The Shift Plan, we aim at reducing our fixed-cost base by €950 million in 2015 compared to our 2012 cost base through the adoption of direct-channel operations, additional consolidation of SG&A (selling, general and administrative) functions, and by refocusing our R&D capacity. For the first six months of 2015, we had expensed €148 million of restructuring costs for these actions.

We expect that the cumulative amount of cash outlays pursuant to The Shift Plan should be approximately €1.8 billion, of which approximately €1.4 billion will be incurred between 2013 and 2015, with the remainder in 2016.

Capital Expenditures. Each year we incur a certain level of capital expenditures in maintenance and innovation. Our capital expenditures amounted to €259 million for the first six months of 2015, including €91 million of capitalization of development costs.

Short-term Debt. As of June 30, 2015, we had €575 million of short-term financial debt outstanding.

Cash flow outlook. We believe that our cash, cash equivalents and marketable securities, including short-term investments, aggregating €5,777 million as of June 30, 2015, are sufficient to fund our cash requirements for the next 12 months and to pursue our capital expenditures program as planned.

To the extent that the business environment materially deteriorates or our customers reduce their spending plans, or if the credit markets were to limit our access to bid and performance bonds, with a resulting deterioration of our liquidity, we will need to re-evaluate our capital expenditure priorities appropriately. We may also be required to engage in additional restructuring efforts and seek additional sources of capital, which may be difficult in such circumstances.

Long-term Debt and Total Financial Debt. As of June 30, 2015 we had €5,051 million of long-term financial debt outstanding and therefore a total gross financial debt at that date of €5,626 million compared to €5,277 million at December 31, 2014.

Rating Clauses Affecting our Debt. 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.

1.5 CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET COMMITMENTS

CONTRACTUAL OBLIGATIONS

We have certain contractual obligations that extend beyond June 30, 2015. Among these obligations, we have long-term debt and interest thereon, finance leases, operating leases, commitments to purchase fixed assets and other unconditional purchase obligations. Our total contractual cash obligations at June 30, 2015 for these items are presented below based upon the minimum payments we will have to make in the future under such contracts and firm commitments. Amounts related to financial debt, finance lease obligations and the equity component of our convertible bonds are fully reflected in our first half 2015 unaudited interim condensed consolidated statement of financial position included in this document.

(In millions of euros)

Contractual payment obligations	**Payment deadline**				
	Less than one year	**7/1/2016-12/31/2017**	**2018-2019**	**2020 and after**	**Total**
Financial debt (excluding finance leases)	561	659	1,231	3,152	**5,603**
Finance lease obligations	15	10	-	-	**25**
Equity component of convertible bonds	-	-	169	80	**249**
Subtotal - included in statement of financial position	**576**	**669**	**1,400**	**3,232**	**5,877**
Finance costs on financial debt	272	341	388	181	**1,182**
Operating leases(1)	145	149	164	176	**634**
Commitments to purchase fixed assets	50	-	-	-	**50**
Unconditional purchase obligations(2) (3)	868	534	671	275	**2,348**
Sub total - commitments not included in statement of financial position	**1,335**	**1,024**	**1,223**	**632**	**4,214**
Total contractual obligations(4)	**1,911**	**1,693**	**2,623**	**3,864**	**10,091**

(1) The decrease in total Operating leases in comparison with December 31, 2014 is mainly explained by the termination of the time charter agreements related to the vessels used by Alcatel-Lucent Submarine Networks according to the new partnership agreement entered into with LDA on March 18, 2015 (see Note 3).

(2) Of which €523 million relate to commitments made to HP pursuant to the sales cooperation agreement and the IT outsourcing transaction entered into with HP and €576 million relate to commitments made to Accenture as part of several outsourcing transactions. 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 that have terms ranging from 6 to 10 years. Total commitments amounted to €358 million, which were accounted for as intangible assets at its discounted value as of June 30, 2015.

(4) Obligations related to pensions, post-retirement health and welfare benefits and post-employment benefit obligations are excluded from the table as they are included in our first half 2015 unaudited interim condensed consolidated financial statements (see Note 15).

OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

On June 30, 2015, our off-balance sheet commitments and contingencies amounted to €2,527 million, consisting primarily of €1,756 million in guarantees on long-term contracts for the supply of telecommunications equipment and services by our consolidated and non-consolidated subsidiaries. Generally we provide these guarantees to back performance bonds issued to customers through financial institutions. These performance bonds and counter-guarantees are standard industry practice and are routinely provided in long-term supply contracts. If certain events occur subsequent to our including these commitments within our off-balance sheet contingencies, such as a delay in promised delivery or claims related to an alleged failure by us to perform on our long-term contracts, or the failure by one of our customers to meet its payment obligations, we reserve the estimated risk on our consolidated statement of financial position under the line items “Provisions” or in inventory reserves. Not included in the €2,527 million is approximately €168 million in customer financing provided by us.

With respect to guarantees given for contract performance, only those issued by us to back guarantees granted by financial institutions are presented in the table below.

Off-balance sheet contingent commitments given in the normal course of business are as follows:

(In millions of euros)

Off-balance sheet contingent commitments	June 30, 2015	December 31, 2014
Guarantees given on contracts made by the Group	1,756	1,637
Discounted notes receivable with recourse(1)	-	-
Other contingent commitments(2)	768	737
Sub-total - Contingent commitments	**2,525**	**2,374**
Secured borrowings (3)	2	2
Total - Off-balance sheet commitments and secured borrowings(4)	**2,527**	**2,376**

(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 14a.

(2) Excluding the guarantee given to Louis Dreyfus Armateurs described in Note 28 of our 2014 consolidated financial statements.

(3) Excluding the subordinated guarantees on certain bonds described in Note 28 of our 2014 consolidated financial statements.

(4) Obligations related to pensions, post-retirement health and welfare benefits and post-employment benefit obligations are excluded from the table as they are included in the statement of financial position of the first half 2015 unaudited interim condensed consolidated financial statements (see Note 15). Refer also to Note 23 of our 2014 audited consolidated financial statements for a summary of our expected contributions to these plans.

1.6 STRATEGY AND OUTLOOK

The Shift Plan

The Shift Plan, which was announced on June 19, 2013, is a detailed three-year plan to reposition Alcatel-Lucent as a specialist provider of IP and Cloud Networking and Ultra-Broadband Access, which are the high-value equipment and services that are essential to high-performance networks.

Successful implementation of The Shift Plan will give our customers renewed confidence in our long-term stability, enhance our employees’ commitment to the Group and provide us with the ability to negotiate improved terms when we access the capital markets. The first phase of The Shift Plan was structured around three priorities: refocusing, restructuring and refinancing. This first phase allowed us to reposition our Company from a telecommunications generalist to a specialist, with better-aligned management, a sound financial foundation, a stronger focus on innovation and significant growth prospects. The second phase of The Shift Plan is articulated around three complementary pillars: innovation, transformation and growth. We believe that this second phase will allow us to capitalize on new market opportunities. Our transformation has been a commercial traction across our portfolio in key technologies such as core routing, 100G optics, SDN, NFV, 4G LTE, small cells and next-gen fixed access. This traction has been enriched by:

- Innovations across a number of important areas of our business, including Core Routing and SDN within IP Routing, 400G in IP Transport, virtualization in IP Platforms, carrier aggregation and Multimedia Broadcast Multicast Service (eMBMS) in Wireless and G.fast and NG-PON2 in Fixed Access; and
- Technological partnerships, including with Qualcomm on small cells, with Intel on virtualization of network functions and with Accenture around ultra broadband opportunities.

The main elements of The Shift Plan include:

- Investing in our Core Networking businesses (which include IP Routing, IP Transport, IP Platforms and associated services): we expect that these businesses will be the engines of Alcatel Lucent’s growth in the future.

- Increasing segment operating cash flow from our Access segment.
- Market diversification: Successful implementation of The Shift Plan will enable us to improve the way we access the market, resulting in a business that is better leveraged. Furthermore, market diversification has led us to redesign our sales and marketing strategy to take advantage of our new focus on our products and services portfolio and help us to identify new market segments, such as cyber security and data centers. Examples of customers in new markets include the University of Pittsburgh Medical Center and a large financial institution, with respect to our SDN solution, and cable operators in the United States, with respect to our core routers.
- Rightsizing of the cost structure.
- Generation of additional cash from dispositions, including the disposals or intended disposals of the following business:
  - the sale of LGS Innovations LLC to a U.S.-based company owned by a Madison Dearborn Partners-led investor group, which was completed on March 31, 2014;
  - the sale of 85% of Alcatel-Lucent Enterprise to China Huaxin, a technology investment company, which was completed on September 30, 2014;
  - the disposal of our cyber-security services and communications security activities to Thales, which was completed on December 31, 2014; and
  - the acceleration of the strategic repositioning of its submarine cable unit, Alcatel-Lucent Submarine Networks, which could take the form of a trade sale, an IPO or a spin-off.
- Self-funded plan and financial sustainability: We completed The Shift Plan's goal to strengthen our balance sheet from 2013 through 2015 through €2 billion of debt management transactions. The Group took advantage of favorable capital markets conditions and extended the average maturity of our debt. Our goal of reducing our overall debt by €2 billion is more than halfway achieved following the raising of €957 million in December 2013 through a capital increase and the conversion of €48 million outstanding OCEANE 2015 in December 2013.

1.7 RISK FACTORS

This section updates and supplements the risk factors to which the Company is exposed that are described under the heading "Risk Factors" of our 2014 20-F and should be read in conjunction therewith.

Our ten largest customers accounted for 54% of our revenues in the first half of 2015 (among which Verizon, AT&T and Sprint represented 17%, 13% and 6% of our revenues, respectively), and most of our revenues come from telecommunications service providers. The loss of one or more key customers or reduced spending by these service providers, or inability to expand and diversify our customer base to non service providers could significantly reduce our revenues, profitability and cash flow.

Our ten largest customers accounted for 54% of our revenues in the first half of 2015 (among which Verizon, AT&T and Sprint represented 17%, 13% and 6% of our revenues, respectively). As service providers increase in size, it is possible that an even greater portion of our revenues will be attributable to a smaller number of large service providers going forward. Our existing customers are typically not obliged to purchase a fixed amount of products or services over any period of time from us and may have the right to reduce, delay or even cancel previous orders, which could impact revenues from one reporting period to the next. We, therefore, have difficulty projecting future revenues from existing customers with certainty. Although historically our customers have not made sudden supplier changes, our customers could vary their purchases from period to period, even significantly. Combined with our reliance on a small number of large customers, this could have an adverse effect on our revenues, profitability and cash flow. In addition, our concentration of business in the telecommunications service provider industry makes us extremely vulnerable to a downturn or delays in spending in that industry. Although as part of The Shift Plan, we are focusing on expanding and diversifying our customer base to new emerging customer segments such as cable service providers, web-scale, large tech enterprises or vertical businesses, which are also investing in carrier-grade networks, we may not succeed in achieving such expansion and diversification.

2. ALCATEL-LUCENT UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2015

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

(In millions except per share data)		Six months ended June 30,		
	Notes	**2015 (1)**	**2015**	**2014**
Revenues	(5)	U.S.$7,457	€6,685	€6,242
Cost of sales		(4,868)	(4,364)	(4,218)
Gross profit		**2,589**	**2,321**	**2,024**
Administrative and selling expenses		(964)	(864)	(792)
Research and development costs		(1,353)	(1,213)	(1,090)
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)	**272**	**244**	**142**
Restructuring costs	(11)	(213)	(191)	(342)
Litigations		(21)	(19)	4
Gain/(loss) on disposal of consolidated entities	(3)	(9)	(8)	(19)
Impairment of assets		-	-	-
Post-retirement benefit plan amendments		(1)	(1)	-
Income (loss) from operating activities		**28**	**25**	**(215)**
Finance costs	(6)	(151)	(135)	(154)
Other financial income (loss)	(6)	(7)	(7)	(118)
Share in net income (losses) of associates & joint ventures		1	1	7
Income (loss) before income tax and discontinued operations		**(129)**	**(116)**	**(480)**
Income tax (expense) benefit	(7)	(7)	(6)	92
Income (loss) from continuing operations		**(136)**	**(122)**	**(388)**
Income (loss) from discontinued operations	(9)	(16)	(14)	19
Net Income (Loss)		**(152)**	**(136)**	**(369)**
Attributable to:				
- Equity owners of the parent		**(141)**	**(126)**	**(371)**
- Non-controlling interests		(11)	(10)	2
Earnings (loss) per share	(8)			
Basic earnings (loss) per share:				
- from continuing operations		(0.04)	(0.04)	(0.14)
- from discontinued operations		(0.01)	(0.01)	0.01
- attributable to the equity owners of the parent		(0.06)	(0.05)	(0.13)
Diluted earnings (loss) per share:				
- from continuing operations		(0.04)	(0.04)	(0.14)
- from discontinued operations		(0.01)	(0.01)	0.01
- attributable to the equity owners of the parent		(0.06)	(0.05)	(0.13)

(1) Translation of amounts from euros ("€") into U.S. Dollars ("$") has been made merely for the convenience of the reader at the Noon Buying Rate of €1 = $1.1154 on June 30, 2015.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)		Six months ended June 30,		
	Notes	**2015** [1]	**2015**	**2014**
Net income (loss) for the period		**U.S.$(152)**	**€(136)**	**€(369)**
Items to be subsequently reclassified to Income Statement		**379**	**340**	**44**
Financial assets available for sale		-	-	3
Cumulative translation adjustments		378	339	39
Cash flow hedging		1	1	2
Tax on items recognized directly in equity		-	-	-
Items that will not be subsequently reclassified to Income Statement		**451**	**404**	**(94)**
Actuarial gains (losses) and adjustments arising from asset ceiling limitation and IFRIC 14	(15)	475	426	33
Tax on items recognized directly in equity		(24)	(22)	(127)
Other comprehensive income (loss) for the period		**830**	**744**	**(50)**
Total comprehensive income (loss) for the period		**678**	**608**	**(419)**
Attributable to:				
- Equity owners of the parent		**613**	**550**	**(413)**
- Non-controlling interests		65	58	(6)

(1) Translation of amounts from euros ("€") into U.S. Dollars ("$") has been made merely for the convenience of the reader at the Noon Buying Rate of €1 = $1.1154 on June 30, 2015.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions) ASSETS	Notes	June 30, 2015 (1)	June 30, 2015	December 31, 2014
Non-current assets:				
Goodwill		U.S.$3,748	€3,360	€3,181
Intangible assets, net		1,582	1,419	1,011
Goodwill and intangible assets, net		**5,330**	**4,779**	**4,192**
Property, plant and equipment, net		1,537	1,378	1,132
Investment in associates and joint ventures		30	27	51
Other non-current financial assets, net		404	362	406
Deferred tax assets		1,838	1,648	1,516
Prepaid pension costs	(15)	3,158	2,831	2,636
Other non-current assets		531	476	429
Total non-current assets		**12,828**	**11,501**	**10,362**
Current assets:				
Inventories and work in progress, net	(10)	2,341	2,099	1,971
Trade receivables and other receivables, net	(10)	2,814	2,523	2,528
Advances and progress payments, net	(10)	50	45	43
Other current assets		990	887	877
Current income taxes		75	67	64
Marketable securities, net	(12)	1,974	1,770	1,672
Cash and cash equivalents	(12)	4,469	4,007	3,878
Current assets before assets held for sale		**12,713**	**11,398**	**11,033**
Assets held for sale and assets included in disposal groups held for sale	(9)	49	43	65
Total current assets		**12,762**	**11,441**	**11,098**
Total assets		**25,590**	**22,942**	**21,460**

(In millions) EQUITY AND LIABILITIES	Notes	June 30, 2015 (1)	June 30, 2015	December 31, 2014
Equity:				
Capital stock (€0.05 nominal value: 2,834,460,292 ordinary shares issued at June 30, 2015 and 2,820,432,270 ordinary shares issued at December 31, 2014)		U.S.$158	€142	€141
Additional paid-in capital		23,302	20,891	20,869
Less treasury stock at cost		(1,209)	(1,084)	(1,084)
Accumulated deficit, fair values and other reserves		(19,339)	(17,338)	(17,633)
Other items recognized directly in equity		59	53	52
Cumulative translation adjustments		(106)	(95)	(366)
Net income (loss) - attributable to the equity owners of the parent		(140)	(126)	(118)
Equity attributable to equity owners of the parent		**2,725**	**2,443**	**1,861**
Non-controlling interests		980	879	833
Total equity		**3,705**	**3,322**	**2,694**
Non-current liabilities:				
Pensions, retirement indemnities and other post-retirement benefits	(15)	5,797	5,197	5,163
Convertible bonds and other bonds, long-term	(12)	5,352	4,798	4,696
Other long-term debt	(12)	282	253	179
Deferred tax liabilities		1,017	912	872
Other non-current liabilities		580	520	175
Total non-current liabilities		**13,028**	**11,680**	**11,085**
Current liabilities:				
Provisions	(11)	1,382	1,239	1,364
Current portion of long-term debt and short-term debt	(12)	641	575	402
Customers' deposits and advances	(10)	1,069	958	810
Trade payables and other payables	(10)	4,014	3,599	3,571
Current income tax liabilities		83	74	73
Other current liabilities		1,631	1,462	1,429
Current liabilities before liabilities related to disposal groups				

held for sale		8,820	**7,907**	**7,649**
Liabilities related to disposal groups held for sale	(9)	37	33	32
Total current liabilities		**8,857**	**7,940**	**7,681**
Total Equity and Liabilities		**25,590**	**22,942**	**21,460**

(1) Translation of amounts from euros ("€") into U.S. Dollars ("$") has been made merely for the convenience of the reader at the Noon Buying Rate of €1 = $1.1154 on June 30, 2015.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Notes	Six months ended June 30, 2015 (1)	2015	2014
Cash flows from operating activities:				
Net income (loss) - attributable to the equity owners of the parent		U.S.$ (141)	€ (126)	€(371)
Non-controlling interests		(11)	(10)	2
Adjustments	(16)	540	484	448
Net cash provided (used) by operating activities before changes in working capital, interest and taxes		**388**	**348**	**79**
Net change in current assets and liabilities (excluding financing):				
Inventories and work in progress	(10)	(129)	(116)	(192)
Trade receivables and other receivables	(10)	105	94	101
Advances and progress payments	(10)	6	5	(2)
Trade payables and other payables	(10)	(192)	(172)	(40)
Customers' deposits and advances	(10)	107	96	1
Other current assets and liabilities		(156)	(139)	(153)
Cash provided (used) by operating activities before interest and taxes		**129**	**116**	**(206)**
Interest received		46	41	34
Interest paid		(148)	(133)	(151)
Taxes (paid)/received		(53)	(47)	(56)
Net cash provided (used) by operating activities		**(26)**	**(23)**	**(379)**
Cash flows from investing activities:				
Proceeds from disposal of tangible and intangible assets		51	46	71
Capital expenditures		(289)	(259)	(232)
Decrease (increase) in loans and other non-current financial assets		25	22	22
Cash expenditures from obtaining control of consolidated companies or equity affiliates	(4) (16c)	(114)	(102)	-
Cash proceeds/(expenditure) from losing control of consolidated companies		(1)	(1)	47
Cash proceeds from sale of previously consolidated and non-consolidated companies		-	-	(2)
Cash proceeds from sale (Cash expenditure for acquisition) of marketable securities		(90)	(81)	544
Net cash provided (used) by investing activities		**(418)**	**(375)**	**450**
Cash flows from financing activities:				
Issuance/(repayment) of short-term debt		(57)	(51)	142
Issuance of long-term debt		95	85	1,136
Repayment/repurchase of long-term debt		-	-	(1,002)
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 and other		12	11	(20)
Capital increase		25	22	10
Dividends paid		(14)	(12)	(11)
Net cash provided (used) by financing activities		**61**	**55**	**255**
Cash provided (used) by operating activities of discontinued operations	(9)	6	5	56
Cash provided (used) by investing activities of discontinued operations	(9)	33	30	(31)
Cash provided (used) by financing activities of discontinued operations	(9)	-	-	(25)
Net effect of exchange rate changes		490	439	62
Net Increase (Decrease) in cash and cash equivalents		**146**	**131**	**388**
Cash and cash equivalents at beginning of period		**4,326**	**3,878**	**4,096**
Cash and cash equivalents at end of period (2)		**4,470**	**4,007**	**4,483**
Cash and cash equivalents at end of period classified as assets held for sale		**2**	**2**	**1**
Cash and cash equivalents including cash and cash equivalents classified as held for sale at end of period		**4,472**	**4,009**	**4,484**

(1) Translation of amounts from euros ("€") into U.S. Dollars ("$") has been made merely for the convenience of the reader at the Noon Buying Rate of €1 = $1.1154 on June 30, 2015.

(2) Includes €1,056 million of cash and cash equivalents held in countries subject to exchange control restrictions as of June 30, 2015 (€714 million as of June 30, 2014). Such restrictions can limit the use of such cash and cash equivalents by other group subsidiaries and the parent.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In millions of euros except number of shares)	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, 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 the six-month period ended June 30, 2014	-	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income (loss) for the six-month period (2)	-	-	-	(94)	5	-	47	(371)	**(413)**	(6)	**(419)**
Other capital increases	9,289,687	1	9	-	-	-	-	-	**10**	-	**10**
Share-based payments	-	-	-	10	-	-	-	-	**10**	-	**10**
Treasury stock	221,786		-	(3)	-	3	-	-	**-**	-	**-**
Equity component of OCEANE 2019 and 2020 issued in 2014, net of tax	-	-	-	121	-	-	-	-	**121**	-	**121**
Dividends	-	-	-	-	-	-	-	-	**-**	(11)	**(11)**
Other adjustments	-	-	-	3	-	-	-	-	**3**	-	**3**
Balance at June 30, 2014	**2,766,171,259**	**141**	**20,864**	**(15,855)**	**50**	**(1,425)**	**(740)**	**(371)**	**2,664**	**713**	**3,377**
Balance at December 31, 2014 after appropriation(3)	**2,780,311,943**	**141**	**20,869**	**(17,751)**	**52**	**(1,084)**	**(366)**	**-**	**1,861**	**833**	**2,694**
Changes in equity for the six-month period ended June 30, 2015	-	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income (loss) for the six-month period (2)	-	-	-	404	1	-	271	(126)	**550**	58	**608**
Other capital increases	14,028,022	1	22		-	-	-	-	**23**	-	**23**
Share-based payments		-	-	9	-	-	-	-	**9**	-	**9**
Treasury stock	3,806	-	-	-	-	-	-	-	**-**	-	**-**
Equity component of OCEANE 2019 and 2020 issued in 2014, net of tax	-	-	-	-	-	-	-	-	**-**	-	**-**
Dividends	-	-	-	-	-	-	-	-	**-**	(12)	**(12)**
Other adjustments	-	-	-	-	-	-	-	-	**-**	-	**-**
Balance at June 30, 2015	**2,794,343,771**	**142**	**20,891**	**(17,338)**	**53**	**(1,084)**	**(95)**	**(126)**	**2,443**	**879**	**3,322**

(1) See Note 8.

(2) See consolidated statements of comprehensive income.

(3) The appropriation was approved at the Shareholders' Meeting held on May 26, 2015.

NOTES TO UNAUDITED INTERIM CONDENSED 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 and its subsidiaries (the "Group") develop and integrate technologies, applications and services to offer innovative global communications solutions. Alcatel-Lucent is listed principally on the Paris and New York stock exchanges.

These unaudited interim condensed consolidated financial statements reflect the results and financial position of the Group as well as its investments in associates ("equity affiliates") and joint ventures. They are presented in Euros rounded to the nearest million. On July 29, 2015, the Board of Directors authorized the issuance of these unaudited interim condensed consolidated financial statements as of June 30, 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 unaudited interim condensed consolidated financial statements for issuance. These unaudited interim condensed consolidated financial statements comply with IAS 34 "Interim Financial Reporting".

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

As of June 30, 2015, all IFRSs that the International Accounting Standards Board (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 unaudited interim condensed consolidated financial statements comply with International Financial Reporting Standards as published by the IASB.

The accounting policies and measurement principles adopted for the unaudited interim condensed consolidated financial statements as of and for the six month period ended June 30, 2015 are the same as those used in the audited consolidated financial statements as of and for the year ended December 31, 2014.

NOTE 2. Principal uncertainties regarding the use of estimates

The preparation of unaudited interim condensed 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 remains particularly high as of June 30, 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. The principal areas of uncertainty where estimates and judgment are used, which are similar to those described as of December 31, 2014, are:

- valuation allowance for inventories and work in progress;
- impairment of customer receivables;
- goodwill, other intangible assets and capitalized development costs;
- provisions for warranty costs and other product sales reserves;
- provisions for litigation;
- deferred tax assets;
- pension and retirement obligations and other employee and post-employment benefit obligations;
- revenue recognition; and
- restructuring costs and impact on the recoverable value of goodwill.

No significant changes occurred in these areas during the first six months of 2015.

NOTE 3. Changes in consolidated companies

a/ Intended 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 values 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 is based on Nokia's closing share price of €7.77 on April 13, 2015.

We intend to accelerate the strategic repositioning of our submarine cable unit, Alcatel-Lucent Submarine Networks, which could take the form of a trade sale, an IPO or a spin-off.

Each company's Board of Directors has approved the terms of the proposed transaction, which is expected to close in the first half of 2016. The proposed transaction is subject to approval by Nokia's shareholders, completion of relevant works council consultations, receipt of regulatory approvals and other customary conditions.

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, and that they had already obtained antitrust clearances in "Brazil and Serbia".

Also, 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 for the future, under certain conditions. Mr. Michel Combes, the Group CEO, has also been granted a specific share package contingent upon the closing of the merger.

Given the contingent nature of these modifications and new CEO compensation package, no related financial impact according to IFRS 2 has been accounted for as of June 30, 2015.

We also incurred €7 million of transaction-related costs for the six month ended June 30, 2015 and €3 million for the second quarter that were recorded in the line item "Gain (loss) on disposal of consolidated companies" of our Income Statement.

b/ 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. Preliminary goodwill is not significant.

No other material change in consolidated companies occurred during the first six months of 2015.

NOTE 4. Changes in accounting policy and presentation

No changes in accounting policy or in presentation occurred in the first six months of 2015.

NOTE 5. Information by operating segment and by geographical segment

In accordance with IFRS 8 "Operating Segments", 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;
- "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 was re-presented accordingly.

The information by reportable segment follows the same accounting policies as those used and described in the 2014 audited 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

(In millions of euros) Six months ended June 30, 2015	Core Networking	Access	Total reportable segments	Other and unallocated (1)	Total	PPA adjustment (2)	Total consolidated
Revenues from external customers	3,124	3,550	6,674	11	**6,685**	-	**6,685**
Revenues from transactions with other reportable segments	1	4	5	(5)	-	-	**-**
Revenues	**3,125**	**3,554**	**6,679**	**6**	**6,685**	**-**	**6,685**
Operating income (loss) (3)	**194**	**90**	**284**	**(27)**	**257**	**(13)**	**244**

(1) Includes revenues from our non-core businesses and €6 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, litigation, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments.

(In millions of euros) Six months ended June 30, 2014	Core Networking	Access	Total reportable segments	Other and unallocated (1)	Total	PPA adjustment (2)	Total consolidated
Revenues from external customers	2,715	3,476	6,191	51	**6,242**	-	**6,242**
Revenues from transactions with other reportable							

segments	6	3	9	(9)	-	-	**-**
Revenues	**2,721**	**3,479**	**6,200**	**42**	**6,242**	**-**	**6,242**
Operating income (loss) (3)	**219**	**(26)**	**193**	**(24)**	**169**	**(27)**	**142**

(1) Includes revenues from a non-core businesses of €40 million and €10 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, litigation, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments.

b/ Products and Services revenues

The following table sets forth revenues for products and services:

(In millions of euros)	Six months ended June 30, 2015	2014
Products	4,507	4,428
Services	2,112	1,718
Other	66	96
Total Revenues	**6,685**	**6,242**

Seasonal nature of activity

The typical quarterly pattern in our revenues - a weak first quarter, a strong fourth quarter and second and third quarter results that fall between those two extremes - generally reflects the traditional seasonal pattern of service providers' capital expenditures. This seasonality could differ depending on varying business trends in any given quarter.

c/ Information by geographical segment

(In millions of euros)	France	Other Western Europe	Rest of Europe	China	Other Asia Pacific	U.S.A.	Other Americas	Rest of world	Total consolidated
Six months ended June 30, 2015									
Revenues by customer location	386	998	112	568	707	2,917	515	482	**6,685**
Six months ended June 30, 2014									
Revenues by customer location	360	910	111	581	575	2,788	422	495	**6,242**

d/ Concentrations

A few large telecommunications service providers account for a significant portion of our revenues. In the first six months ended June 30, 2015, Verizon, AT&T and Sprint represented respectively 17%, 13% and 6% of our revenues (respectively 15%, 14% and 10% in the first six months ended June 30, 2014).

NOTE 6. Financial income (loss)

(In millions of euros)	Six months ended June 30, 2015	2014
Interest expense related to gross financial debt	(166)	(189)
Interest income related to cash and marketable securities	31	35
Finance costs (net)	**(135)**	**(154)**
Reversal of impairment losses/ (impairment losses) on financial assets	-	10
Net exchange gain (loss)	(27)	-
Financial component of pension and post-retirement benefit costs	(57)	(18)
Capital gain/(loss) on financial assets (shares of equity affiliates or non-consolidated securities and financial receivables) and marketable securities	107	1
Other [(1)]	(31)	(111)
Other financial income (loss)	(7)	(118)
Total financial income (loss)	**(142)**	**(272)**

(1) Q2 2014: mainly includes a loss of €97 million due to the impact of the reevaluation of our former senior secured credit facility repaid on August 19, 2014.

NOTE 7. Income tax

Analysis of income tax (expense) benefit

(In millions of euros)	Six months ended June 30,	
	2015	**2014**
Current income tax (expense) benefit	**(39)**	**(28)**
Deferred income tax benefit (expense), net	33	120
Income tax benefit (expense)	**(6)**	**92**

(1) Q2 2015 and Q2 2014 impacts were mainly related to the re-assessment of the recoverability of deferred tax assets in the U.S..

NOTE 8. 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:

	Six months ended June 30,	
Number of shares	**2015**	**2014**
Number of ordinary shares issued (share capital)	2,834,460,292	2,817,843,884
Treasury shares	(40,116,521)	(51,672,625)
Number of shares in circulation	**2,794,343,771**	**2,766,171,259**
Weighting effect of share issues (of which stock options exercised)	(6,871,222)	(3,950,906)
Weighting effect of treasury shares	(1,473)	(139,283)
Weighted average number of shares outstanding – basic	**2,787,471,076**	**2,762,081,070**
Dilutive effects:		
- Equity plans (stock options, RSU)	-	-
- 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	-	-
Weighted average number of shares outstanding - diluted	**2,787,471,076**	**2,762,081,070**

As our net result was a loss, 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.

(In millions of euros)	Six months ended June 30,	
Net income (loss)	**2015**	**2014**
Net income (loss) attributable to the equity owners of the parent - basic	(126)	(371)
Adjustment for dilutive securities on net income: Interest expense related to convertible securities	-	-
Net income (loss) - diluted	**(126)**	**(371)**

NOTE 9. Discontinued operations, assets held for sale and liabilities related to disposal groups held for sale

Discontinued operations for the periods presented were as follows:

(In millions of euros)	Six months ended June 30,	
Income statement of discontinued operations	**2015**	**2014**
Revenues	3	307
Cost of sales	(3)	(163)
Gross profit	**-**	**144**
Administrative and selling expenses	(1)	(104)
Research and development costs	-	(26)
Income (loss) from operating activities before restructuring costs, litigation, gain/(loss) on disposal of consolidated entities, impairment of assets and post-retirement benefit plan amendments	**(1)**	**14**
Restructuring costs	-	(1)
Gain/(loss) on disposal of consolidated entities	-	-
Post-retirement benefit plan amendments	-	-
Income (loss) from operations	**(1)**	**13**
Financial income (loss)	-	(1)
Income tax (expense) benefit (1)	-	19
Income (loss) from discontinued operations before capital gains (loss)	**(1)**	**31**
Net capital gain (loss) on disposal of discontinued operations (2)	(13)	(12)
Income (loss) from discontinued operations	**(14)**	**19**

(1) Includes €20 million of deferred tax assets recognized during the six months ended June 30, 2014 due to the pending disposal of our Enterprise business.

(2) The €13 million for the six months ended June 30, 2015 was related to additional Enterprise carve-out costs.

On September 30, 2014, we disposed of 85% of our Enterprise business to China Huaxin, our existing partner of Alcatel-Lucent Shanghai Bell (ASB), our joint venture in China. Most of the Enterprise business was transferred at closing. The transferred Enterprise business was presented in discontinued operations in the consolidated income statements and statements of cash flows for all periods presented.

(In millions of euros) **Statement of financial position**	**June 30, 2015**	**December 31, 2014**
Goodwill	-	-
Intangible and tangible assets	2	2
Operating working capital	-	13
Cash	-	-
Pension reserves	(1)	-
Other assets and liabilities	(22)	(20)
Total assets & liabilities of disposal groups held for sale	**(21)**	**(5)**
Assets of disposal groups held for sale (A)	*2*	*20*
Liabilities related to disposal groups held for sale (B)	*(23)*	*(25)*
Real estate properties and other assets held for sale (C)	**41**	**45**
Other liabilities held for sale (D)	**(10)**	**(7)**
Assets held for sale and assets included in disposal group held for sale (A) + (C)	**43**	**65**
Liabilities related to disposal groups held for sale (B) + (D)	**(33)**	**(32)**

Other assets held for sale are composed of real estate property and other asset sales that were in progress at June 30, 2015 and at December 31, 2014.

As of June 30, 2015, assets and liabilities of disposal groups held for sale mainly include the remaining, not yet transferred Enterprise assets and liabilities that are expected to be transferred within the next six months. Alcatel-Lucent Networks Services GmbH and LGS Innovations were disposed of on January 7, 2014 and on March 31, 2014, respectively.

The cash flows of discontinued operations were as follows:

(In millions of euros)	**Six months ended June 30,**	
	2015	**2014**
Net Income (loss) from discontinued operations	**(14)**	**19**
Net cash provided (used) by operating activities before changes in working capital	-	11
Other net increase (decrease) in net cash provided (used) by operating activities	5	45
Net cash provided (used) by operating activities (A)	5	56
Capital expenditures (B)	-	(31)
Free cash flow: (A) + (B)	**5**	**25**
Net cash provided (used) by investing activities excluding capital expenditures (C)	30	-
Net cash provided (used) by financing activities (D)	-	(25)
Total (A) + (B) + (C) + (D)	**35**	**-**

NOTE 10. 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.

(In millions of euros)	**June 30, 2015**	**December 31, 2014**
Inventories and work in progress, net	2,099	1,971
Trade receivables and other receivables, net (1)	2,523	2,528
Advances and progress payments	45	43
Customers' deposits and advances	(958)	(810)
Trade payables and other payables	(3,599)	(3,571)
Operating working capital, net	**110**	**161**

(1) Amounts of trade receivables sold without recourse and the impact of these transfers on the cash flow statement are detailed in Note 14.

(In millions of euros)	December 31, 2014	Cash flow	Change in consolidated companies	Translation adjustments and other	June 30, 2015
Inventories and work in progress	2,366	116	-	39	2,521
Trade receivables and other receivables (1)	2,721	(94)	3	112	2,743
Advances and progress payments	43	(5)	4	3	45
Customers' deposits and advances	(810)	(96)	-	(51)	(958)
Trade payables and other payables	(3,571)	172	8	(208)	(3,599)
Operating working capital, gross	**749**	**93**	**15**	**(105)**	**752**
Cumulated valuation allowances	(588)	-	-	(54)	(642)
Operating working capital, net	**161**	**93**	**15**	**(159)**	**110**

(1) Amounts of trade receivables sold without recourse and the impact of these transfers on the cash flow statement are detailed in Note 14.

NOTE 11. Provisions

a/ Balance at closing

(In millions of euros)	June 30, 2015	December 31, 2014
Provisions for product sales	367	387
Provisions for restructuring	360	439
Provisions for litigation	115	122
Other provisions	397	416
Total (1)	**1,239**	**1,364**
(1) of which: portion expected to be used within one year	*915*	*959*
portion expected to be used after one year	*324*	*405*

b/ Change during the six-month period ended June 30, 2015

(In millions of euros)	December 31, 2014	Appropriation	Utilization	Reversals	Change in consolidated companies	Other	June 30, 2015
Provisions for product sales	387	201	(184)	(38)	-	1	367
Provisions for restructuring	439	81	(158)	(10)	-	8	360
Provisions for litigation	122	25	(12)	(15)	-	(5)	115
Other provisions	416	92	(108)	(23)	-	20	397
Total	**1,364**	**399**	**(462)**	**(86)**	**-**	**24**	**1,239**
Effect on the income statement:							
- Income (loss) from operating activities before restructuring costs, litigation, gain/(loss) on disposal of consolidated entities and post-retirement benefit plan amendments		(298)		71			(227)
- Restructuring costs		(80)		10			(70)
- Litigation		(19)		-			(19)
- Gain (loss) on disposal of consolidated							

entities	-		-		-
- Post-retirement benefit plan amendments	-		-		-
- Other financial income (loss)	(1)		1		-
- Income taxes	(1)		4		3
- Income (loss) from discontinued operations	-		-		-
Total	**(399)**		**86**		**(313)**

At period-end, contingent liabilities exist with regards to ongoing tax disputes and outstanding litigation. 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 and therefore nothing is reserved for those disputes as of June 30, 2015.

c/ Analysis of restructuring provisions

(In millions of euros)	**June 30, 2015**	**December 31, 2014**
Opening balance	**439**	**433**
Utilization during period	(158)	(364)
Restructuring costs (social costs and other monetary costs)	70	373
Reversal of discounting impact (financial loss)	1	1
Effect of acquisition (disposal) of consolidated subsidiaries	-	(16)
Cumulative translation adjustments and other changes	8	12
Closing balance	**360**	**439**

d/ Restructuring costs

(In millions of euros)	**Six months ended June 30,**	
	2015	**2014**
Social costs - Restructuring reserves	(67)	(181)
Other monetary costs - Restructuring reserves	(3)	(73)
Other monetary costs - Payables	(71)	(62)
Other monetary costs - Pension reserve	(37)	(21)
Valuation allowances or write-offs of assets and other	(13)	(5)
Total restructuring costs	**(191)**	**(342)**

NOTE 12. Financial debt

(In millions of euros)	**June 30, 2015**	**December 31, 2014**
Marketable securities – short term, net	1,770	1,672
Cash and cash equivalents	4,007	3,878
Cash, cash equivalents and marketable securities	**5,777**	**5,550**
Convertible bonds and other bonds – long-term portion	(4,798)	(4,696)
Other long-term debt	(253)	(179)
Current portion of long-term debt and short-term debt	(575)	(402)
of which bonds and credit facilities – short-term portion	*(189)*	-
of which current portion of other long-term debt and short-term debt	*(386)*	*(402)*
Financial debt, gross	**(5,626)**	**(5,277)**
Derivative interest rate instruments – other current and non-current assets	5	1
Derivative interest rate instruments – other current and non-current liabilities	-	-
Loan to joint venturer - financial asset (loan to co-venturer)	-	-
Cash (financial debt), net before FX derivatives	**156**	**274**
Derivative FX instruments on financial debt – other current and non-current assets(1)	136	123
Derivative FX instruments on financial debt – other current and non-current liabilities(1)	(32)	(4)
Net amount paid/(received) in respect of credit support arrangements (CSA) for derivative instruments – other current assets/liabilities	(49)	(67)
Cash (financial debt), net – excluding discontinued operations	**211**	**326**
Cash (financial debt), net – assets held for sale	1	-
Cash (financial debt), net – including discontinued operations	**212**	**326**

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

Changes during the first six-month period ended June 30, 2015

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.

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

(In millions of euros)			Carrying amount at June 30, 2015	Equity component and fair value adjustments	Nominal value at maturity date	
					June 30, 2015	December 31, 2014
8.50% Senior Notes(1)	€192 M	January 2016	189	1	190	192
4.625% Senior Notes(2)	U.S.$650 M	July 2017	578	3	581	535
4.25% OCEANE	€629 M	July 2018	550	79	629	629
0.00% OCEANE	€688 M	January 2019	600	89	688	688
0.125% OCEANE	€460 M	January 2020	380	80	460	460
8.875% Senior Notes(2)	U.S.$500 M	January 2020	438	9	447	412
6.75% Senior Notes(2)	U.S.$1,000 M	November 2020	885	9	894	824
6.50 % Senior Notes	U.S.$300 M	January 2028	248	21	268	247
6.45 % Senior Notes	U.S.$1,360 M	March 2029	1,120	95	1,215	1,120
Total bonds			4,988	385	5,373	5,108
ASN Credit Facility(3)	€86 M	March 2022	82	1	3	-
Total bonds and credit facilities			**5,070**	**386**	**5,376**	**5,108**

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

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

(3) Quarterly repayments until Mach 2022.

b/ Credit ratings

At July 29, 2015, the credit ratings of Alcatel-Lucent S.A. 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.	B3	B3/Caa1 (1)	Not Prime	Review for upgrade	December 4, 2012/ December 19, 2013	April 20, 2015
Alcatel-Lucent USA Inc.	n.a.	B3 (2)	n.a	Review for upgrade	December 12, 2013	April 20, 2015
Standard & Poor's:						
Alcatel-Lucent S.A.	B	B	B	Cr. Watch Positive	August 18, 2014	April 17, 2015
Alcatel-Lucent USA Inc.	B	B	n.a	Cr. Watch Positive	August 18, 2014	April 17, 2015

(1) The OCEANE 2018 as well as the OCEANE 2019 and 2020 are rated Caa1; all other long-term debt issued by Alcatel-Lucent is rated B3.

(2) The 8.875% Senior Notes, the 6.75% Senior Notes and the 4.625% Senior Notes are each rated B3. Ratings were withdrawn on January 20, 2012 for the Alcatel-Lucent USA Inc. 6.50% Notes due 2028 and 6.45% Notes due 2029.

c/ Rating clauses affecting Alcatel-Lucent and Alcatel-Lucent USA Inc. debt at June 30, 2015

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.

d/ Management of covenants

Alcatel-Lucent and Alcatel-Lucent USA Inc.'s outstanding bonds do not contain any maintenance financial covenants.

Drawing on the Revolving Credit Facility is subject to an incurrence covenant.

The Revolving Credit Facility was undrawn as of June 30, 2015.

NOTE 13. Fair value hierarchy

IFRS 7 "Financial Instruments: Disclosures" requires fair value measurements to be classified into three levels, which are the same as those defined in IFRS 13 "Fair Value Measurement". The levels of the fair value hierarchy depend on the type of input used for the valuation of the instruments:

- Level 1: unadjusted quoted prices in active markets for identical unrestricted assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within 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 inputs).

Assets and liabilities measured at fair value on a recurring basis

	June 30, 2015				December 31, 2014			
(In millions of euros)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets available for sale at fair value through equity	4	157	6	**167**	3	167	6	**176**
Financial assets at fair value through profit or loss	-	1,720	-	**1,720**	-	1,605	-	**1,605**
Currency derivatives	-	144	-	**144**	-	149	-	**149**
Interest-rate derivatives - hedging	-	5	-	**5**	-	2	-	**2**
Interest-rate derivatives - other	-	-	-	**-**	-	-	-	**-**
Cash equivalents (1)	1,139	56	-	**1,195**	1,096	383	-	**1,479**
Total	**1,143**	**2,082**	**6**	**3,230**	**1,099**	**2,306**	**6**	**3,411**
Liabilities								
Currency derivatives	-	(91)		**(91)**	-	(51)	-	**(51)**
Interest-rate derivatives - hedging	-	-		**-**	-	-	-	**-**
Interest-rate derivatives - other	-	(10)		**(10)**	-	(9)	-	**(9)**
Total	**-**	**(101)**	**-**	**(101)**	**-**	**(60)**	**-**	**(60)**

(1) 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 in the first six months of 2015 or in the same period of 2014.

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.

NOTE 14. Financial assets transferred

a/ Receivables sold without recourse

Balances

(In millions of euros)	**June 30, 2015**	**December 31, 2014**
Outstanding amounts of receivables sold without recourse (1)	1,613	1,678

(1) Without recourse in case of payment default by the debtor. See accounting policies in Note 1q of the 2014 audited consolidated financial statements. We have no material continuing involvement in the receivables sold without recourse which are derecognized in their entirety.

Changes in receivables sold without recourse

(In millions of euros)	**Six months ended June 30,**	
	2015	**2014**
Impact on cash flows from operating activities	(65)	(54)

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. The proceeds and cost of such transfers are included in our financial debt (other financial debt), which represented €210 million as of June 30, 2015 (€233 million as of December 31, 2014).

NOTE 15. Pensions, retirement indemnities and other post-retirement benefits

Alcatel-Lucent applies IAS 19 Revised which requires the immediate recognition in the statement of comprehensive income of actuarial gains and losses as well as any adjustments resulting from asset ceiling limits.

96% of Alcatel-Lucent’s total benefit obligations and 96% of Alcatel-Lucent’s plan asset fair values were re-measured as of June 30, 2015. Alcatel-Lucent’s pension and post-retirement obligations in the United States and Alcatel-Lucent’s main pension plans outside of the U.S. (in France, Germany, United Kingdom and Belgium) have been re-measured based on a sensitivity analysis. The impact of not re-measuring other pension and post-retirement obligations is considered not material.

Discount rates used to measure Alcatel-Lucent’s pension and post-retirement obligations in the United States and Alcatel-Lucent’s main pension plans outside of the U.S. as of June 30, 2015 have been updated and were as follows:

Discount rate	June 30, 2015	December 31, 2014
U.S. - Pension	3.86%	3.49%
U.S. - Post-retirement health care and other	3.51%	3.21%
U.S. - Post-retirement life	4.12%	3.69%
Euro - Pension	2.00%	1.75%
U.K. - Pension	3.75%	3.50%

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

(In millions of euros)	June 30, 2015			December 31, 2014		
	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)**
Operational charge	(57)	-	(57)	(97)	(2)	(99)
Financial income/(expense)	(10)	(47)	(57)	39	(83)	(44)
Restructuring charge	(35)	(2)	(37)	(41)	(3)	(44)
Pension and healthcare plan amendments (1)	(10)	-	(10)	7	105	112
Discontinued operations	-	-	-	(1)		(1)
Total recognized in profits (losses)	(112)	(49)	(161)	(93)	17	(76)
Actuarial gains and (losses) for the period on the benefit obligation	1,008	(2)	1,006	(3,979)	(212)	(4,191)
Actuarial gains and (losses) for the period on the plan assets	(573)	(7)	(580)	2,109	4	2,113
Asset ceiling limitation and IFRIC14 effect	-	-	-	256	-	256
Total recognized in Statement of Comprehensive Income (2)	**435**	**(9)**	**426**	**(1,614)**	**(208)**	**(1,822)**
Contributions and benefits paid	65	(4)	61	182	10	192
420 transfer	-	-	-	(169)	169	-
Change in consolidated companies	2	-	2	40	-	40
Other (reclassifications and exchange rate changes)	36	(203)	(167)	130	(287)	(157)
Net asset (liability) recognized at the end of the period/exercise	**294**	**(2,660)**	**(2,366)**	**(132)**	**(2,395)**	**(2,527)**
of which:						
- Prepaid pension costs	*2,831*	*-*	*2,831*	*2,636*	*-*	*2,636*
- Pension, retirement indemnities and post-retirement benefits liability	*(2,537)*	*(2,660)*	*(5,197)*	*(2,768)*	*(2,395)*	*(5,163)*

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

(2) 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.

Funded status

(In millions of euros)	June 30, 2015	December 31, 2014
Benefit obligation	(32,447)	(31,570)
Fair value of plan assets	31,382	30,220
Funded (underfunded) status	**(1,065)**	**(1,350)**
Unrecognized prior service cost and surplus (due to application of asset ceiling and IFRIC14)	(1,301)	(1,177)
Net liability recognized at end of period	**(2,366)**	**(2,527)**

Lump Sum Offer in the United States

On June 26, 2015, Alcatel-Lucent began mailing to about 86,000 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 ends on September 25, 2015. The program is entirely voluntary. Payments for those who elect to participate in the program will be made on November 2, 2015 and will constitute a complete settlement of Alcatel-Lucent pension liabilities with respect to them, that will be accounted for during the fourth quarter of 2015. Payments are expected to be made from existing plan assets.

NOTE 16. Notes to consolidated statements of cash flows

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

(In millions of euros)	Six months ended June 30, 2015	2014
Net income (loss) attributable to the equity owners of the parent	**(126)**	**(371)**
Non-controlling interests	**(10)**	**2**
Adjustments:		
- Depreciation and amortization of tangible and intangible assets	298	269
of which impact of capitalized development costs	*86*	*109*
- Impairment of assets	-	-
- Post-retirement benefit plan amendment	1	-
- Changes in pension and other post-retirement benefit obligations, net	61	(44)
- Provisions, other impairment losses and fair value changes	95	119
- Repurchase of bonds and change of estimates related to convertible debentures	-	97
- Net (gain) loss on disposal of assets	(132)	(38)
- Share in net income (losses) of equity affiliates (net of dividends received)	(1)	(7)
- (Income) loss from discontinued operations	13	(19)
- Finance costs and interest on tax litigations	135	153
- Share-based payments	8	10
- Taxes	6	(92)
Sub-total of adjustments	**484**	**448**
Net cash provided (used) by operating activities before changes in working capital, interest and taxes	**348**	**79**

b/ Free cash flow

(In millions of euros)	Notes	Six months ended June 30, 2015	2014
Net cash provided (used) by operating activities before changes in working capital, interest and income taxes		**348**	**79**
Change in operating working capital(1)	(10)	(93)	(132)
Other current assets and liabilities(2)		(139)	(153)
Net cash provided (used) by operating activities before interest and taxes		**116**	**(206)**
of which:			
- restructuring cash outlays		*(205)*	*(225)*
- contribution and benefits paid on pensions & other post-employment benefits	*(15)*	*(61)*	*(119)*
Interest received/(paid)		(92)	(117)
Taxes received/(paid)		(47)	(56)
Net cash provided (used) by operating activities		**(23)**	**(379)**
Capital expenditures		(259)	(232)
Disposal of Intellectual Property		16	8
Free cash flow - excluding discontinued operations		**(267)**	**(603)**
Free cash flow from discontinued operations		5	25(3)
Free cash flow		**(262)**	**(578)**

(1) Including amounts received from discounted receivables.
(2) Including amounts received from the sale of French R&D tax credits (“crédits d’impôt recherche”).
(3) Related to our Enterprise business which was sold on September 30, 2014.

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

(In millions of euros)	Six months ended June 30,	
	2015	**2014**
Obtaining control of consolidated entities		
Cash (expenditure) on acquisition of newly consolidated entities(1)	(102)	-
Cash and cash equivalents of newly consolidated entities	-	-
Total - net impact on cash flows of obtaining control	**(102)**	**-**
Losing control of consolidated entities		
Cash proceeds from disposal of formerly consolidated entities	-	76
Cash and cash equivalents of formerly consolidated entities	(1)	(29)
Total - net impact on cash flows of losing control	**(1)**	**47**

(1) 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 the a new partnership agreement entered into on March 18, 2015 (see note 3).

NOTE 17. Contractual obligations and off balance sheet commitments

a/ Contractual obligations

We have certain contractual obligations that extend beyond June 30, 2015. Among these obligations we have long-term debt and interest thereon, finance leases, operating leases, commitments to purchase fixed assets and other unconditional purchase obligations. Our total contractual cash obligations at June 30, 2015 for these items are presented below based upon the minimum payments we will have to make in the future under such contracts and firm commitments. Amounts related to financial debt, finance lease obligations and the equity component of our convertible bonds are fully reflected in our first half 2015 unaudited interim condensed consolidated statement of financial position included in this document.

(In millions of euros)	Payment deadline				
Contractual payment obligations	**Less than one year**	**7/1/2016-12/31/2017**	**2018-2019**	**2020 and after**	**Total**
Financial debt (excluding finance leases)	561	659	1,231	3,152	**5,603**
Finance lease obligations	15	10	-	-	**25**
Equity component of convertible bonds	-	-	169	80	**249**
Subtotal - included in statement of financial position	**576**	**669**	**1,400**	**3,232**	**5,877**
Finance costs on financial debt	272	341	388	181	**1,182**
Operating leases(1)	145	149	164	176	**634**
Commitments to purchase fixed assets	50	-	-	-	**50**
Unconditional purchase obligations(2) (3)	868	534	671	275	**2,348**
Sub total - commitments not included in statement of financial position	**1,335**	**1,024**	**1,223**	**632**	**4,214**
Total contractual obligations(4)	**1,911**	**1,693**	**2,623**	**3,864**	**10,091**

(1) The decrease in total Operating leases in comparison with December 31, 2014 is mainly explained by the termination of the time charter agreements related to the vessels used by Alcatel-Lucent Submarine Networks according to the new partnership agreement entered into with LDA on March 18, 2015 (see Note 3).

(2) Of which €523 million relate to commitments made to HP pursuant to the sales cooperation agreement and the IT outsourcing transaction entered into with HP and €576 million relate to commitments made to Accenture as part of several outsourcing transactions. Other unconditional purchase obligations result mainly from obligations under multi-year supply contracts linked to the sale of businesses to third parties.

(3) In April 1, 2015, we terminated certain license agreements and entered into new license agreements with Qualcomm that have terms ranging from 6 to 10 years. Total commitments amounted to €358 million, which were accounted for as intangible assets at its discounted value as of June 30, 2015.

(4) Obligations related to pensions, post-retirement health and welfare benefits and post-employment benefit obligations are excluded from the table as they are included in our first half 2015 unaudited interim condensed consolidated financial statements (see Note 15).

b/ Off balance sheet commitments

On June 30, 2015, our off-balance sheet commitments and contingencies amounted to €2,527 million, consisting primarily of €1,756 million in guarantees on long-term contracts for the supply of telecommunications equipment and services by our consolidated and non-consolidated subsidiaries. Generally we provide these guarantees to back performance bonds issued to customers through financial institutions. These performance bonds and counter-guarantees are standard industry practice and are routinely provided in long-term supply contracts. If certain events occur subsequent to our including these commitments within our off-balance sheet contingencies, such as a delay in promised delivery or claims related to an alleged failure by us to perform on our long-term contracts, or the failure by one of our customers to meet its payment obligations, we reserve the estimated risk on our consolidated statement of financial position under the line items "Provisions" or in inventory reserves. Not included in the €2,527 million is approximately €168 million in customer financing provided by us.

With respect to guarantees given for contract performance, only those issued by us to back guarantees granted by financial institutions are presented in the table below.

Off-balance sheet contingent commitments given in the normal course of business are as follows:

(In millions of euros) **Off-balance sheet contingent commitments**	**June 30, 2015**	**December 31, 2014**
Guarantees given on contracts made by the Group	1,756	1,637
Discounted notes receivable with recourse (1)	-	-
Other contingent commitments (2)	768	737
Subtotal - Contingent commitments	**2,525**	**2,374**
Secured borrowings (3)	2	2
Total - Off-balance sheet commitments and secured borrowings(4)	**2,527**	**2,376**

(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 14a.

(2) Excluding the guarantee given to Louis Dreyfus Armateurs described in Note 28 of our 2014 consolidated financial statements.

(3) Excluding the subordinated guarantees on certain bonds described in Note 28 of our 2014 consolidated financial statements.

(4) Obligations related to pensions, post-retirement health and welfare benefits and post-employment benefit obligations are excluded from the table as they are included in the statement of financial position of the first half 2015 unaudited interim condensed consolidated financial statements (see Note 15). Refer also to Note 23 of our 2014 audited consolidated financial statements for a summary of our expected contributions to these plans.

NOTE 18. Contingencies

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 the U.S.$15 million deposit that had been made by Alcatel-Lucent International, and to transfer the funds to it. Once the three cases are dismissed, there will no longer be any pending litigation concerning the 2004 bribery allegations either in Costa Rica or with ICE anywhere in the world.

There were no other significant events during the first six months of 2015 regarding the proceedings disclosed in Note 31 of our 2014 audited consolidated financial statements included in Alcatel-Lucent's Annual Report on Form 20-F for the year ended December 31, 2014, and no significant new litigation has been commenced since December 31, 2014.

NOTE 19. Events after the statement of financial position date

There were no significant events between June 30, 2015, date of the statement of financial position and July 29, 2015, the date when the Board of Directors authorized these unaudited interim condensed consolidated financial statements for issue.

NOTE 20. Consolidated income statements

(In millions of euros – except per share information) 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, litigation, 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)
Litigation	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)

IMPORTANT ADDITIONAL INFORMATION

This communication relates to the proposed public exchange offer by Nokia to exchange all of common stock and convertible securities issued by Alcatel Lucent for new ordinary shares of Nokia. This communication is for informational purposes only and does not constitute or form part of any offer to exchange, or a solicitation of an offer to exchange, all of common stock and convertible securities of Alcatel Lucent in any jurisdiction. This communication is not a substitute for the Tender Offer Statement on Schedule TO or the Preliminary Prospectus / Offer to Exchange included in the Registration Statement on Form F-4 (the "Registration Statement") to be filed by Nokia with the U.S. Securities and Exchange and Commission (the "SEC"), the Solicitation/Recommendation Statement on Schedule 14D-9 to be filed by Alcatel Lucent with the SEC, the listing prospectus to be filed by Nokia with the Finnish Financial Supervisory Authority, the tender offer document (*note d'information*) to be filed by Nokia with the *Autorité des marchés financiers* ("AMF") or the response document (*note en réponse*) to be filed by Alcatel Lucent with the AMF (including the letter of transmittal and related documents and as amended and supplemented from time to time, the "Exchange Offer Documents"). The proposed exchange offer referenced in this communication has not yet commenced. No offering of securities shall be made in the United States except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933. The proposed exchange offer will be made only through the Exchange Offer Documents.

The making of the proposed exchange offer to specific persons who are residents in or nationals or citizens of jurisdictions outside France or the United States or to custodians, nominees or trustees of such persons (the "Excluded Shareholders") may be made only in accordance with the laws of the relevant jurisdiction. It is the responsibility of the Excluded Shareholders wishing to accept an exchange offer to inform themselves of and ensure compliance with the laws of their respective jurisdictions in relation to the proposed exchange offer.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT NOKIA OR ALCATEL HAS FILED OR MAY FILE WITH THE SEC, AMF, NASDAQ OMX HELSINKI OR FINNISH FINANCIAL SUPERVISORY AUTHORITY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION THAT INVESTORS AND SECURITY HOLDERS SHOULD CONSIDER BEFORE MAKING ANY DECISION REGARDING THE PUBLIC EXCHANGE OFFER.

The Exchange Offer Documents and other documents referred to above, if filed or furnished by Nokia or Alcatel, as applicable, will be available free of charge at the SEC's website (www.sec.gov).

Nokia's tender offer document (*note d'information*) and Alcatel's response document (*note en réponse*), containing detailed information with regard to the public exchange offer, will be available on the websites of the AMF (www.amf-france.org), Nokia (http://company.nokia.com/en) and Alcatel (www.alcatel-lucent.com), as applicable.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 5, 2015

By:	/s/ Jean Raby
Name:	Jean Raby
Title:	Chief Financial and Legal Officer

Annex B – Memorandum of Understanding by and between Nokia Corporation and Alcatel Lucent, dated as of April 15, 2015

EXECUTION VERSION

MEMORANDUM OF UNDERSTANDING

BY AND BETWEEN

NOKIA CORPORATION

AND

ALCATEL LUCENT

DATED AS OF APRIL 15, 2015

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MISCELLANEOUS

This Memorandum of Understanding (this "**MoU**") is made and entered into as of April 15, 2015, by and between Nokia Corporation, a corporation organized under the laws of Finland, represented by Rajeev Suri and Maria Varsellona, duly authorized for the purposes hereof ("**Nokia**") and Alcatel Lucent, a *société anonyme* organized under the laws of France, represented by Michel Combes, duly authorized for the purposes hereof (the "**Company**"). Nokia and the Company are each sometimes referred to individually as a "**Party**" and collectively as the "**Parties**".

W I T N E S S E T H:

(A) **WHEREAS**, each of the Parties desires to effect a strategic combination with a view to create one of the leading global providers of telecommunications products and services in the field of mobile and fixed broadband, Internet Protocol networking and cloud technology, and to create value for its respective shareholders;

(B) **WHEREAS**, in order to effect such strategic combination, upon the terms and subject to the conditions set forth in this MoU, Nokia is seeking to acquire all (i) the outstanding ordinary shares, nominal value of €0.05 per share, of the Company (the "**Company Shares**"), including Company Shares represented by American Depositary Shares (the "**ADSs**"), Company Shares issuable upon conversion or exchange of the OCEANEs (as defined in Section 1.1) and Company Shares issuable upon the exercise of any outstanding options, warrants, convertible securities or rights to purchase, subscribe for, or be allocated Company Shares and (ii) the OCEANES (the Company Shares, the ADSs and the OCEANEs, collectively the "**Company Securities**"), through public exchange offers in France and in the United States (such offers, as may be amended from time to time in accordance with the terms of this MoU, the "**Offers**");

(C) **WHEREAS**, in the French voluntary public exchange offer, Nokia is seeking to acquire all Company Securities (other than Company Shares represented by Company ADSs) held by holders (a) who are located in France and (b) holders who are located outside of France and the United States if, pursuant to the local laws and regulations applicable to those holders, they are permitted to participate in the French public exchange offer (the "**French Offer**");

(D) **WHEREAS**, in the U.S. public offer, Nokia is seeking to acquire all Company Securities (other than Company Shares represented by Company ADSs) held by U.S. holders (within the meaning of Rule 14d-1(d) under the Exchange Act) and all outstanding ADSs wherever the holder is located (the "**U.S. Offer**");

(E) **WHEREAS**, pursuant to the terms of the Offers, each Company Security tendered to the French Offer or to the U.S. Offer will be exchanged for a number of shares of Nokia set forth in the key terms of the Offers attached hereto as Annex 2 (*Key Terms of the Offers*);

(F) **WHEREAS**, the Nokia Board (as defined in Section 1.1) has (a) determined that the Offers and the other transactions contemplated by this MoU are in the best interests of Nokia and all of its shareholders, (b) approved this MoU and the transactions contemplated by this MoU, including the Offers and (c) determined, subject to its fiduciary duties under applicable Law and the terms and conditions of this MoU, to recommend that the Nokia shareholders vote in favor of the resolutions to be presented to them pursuant to Section 6.2.2 (such recommendation, the "**Nokia Board Recommendation**"); and

(G) **WHEREAS**, the Company Board (as defined in Section 1.1) has approved (a) this MoU and (b) the Company Announcement Statement (as defined in Section 1.1) (it being understood that the foregoing does not constitute the Company Board's reasoned opinion (*avis motivé*) with respect to the Offers within the meaning of Article 231-19 of the AMF General Regulation (as defined in Section 1.1)).

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Specific Definitions

The following capitalized terms used in this MoU shall have the meanings set forth or referenced below:

"**Acquired Business**" shall have the meaning set forth in Section 5.2.

"**ADSs**" shall have the meaning set forth in Recital (B).

"**Alternate Proposal**" with respect to the Company shall mean any offer or proposal for, or any indication of interest in by any Person or group of Persons, in one or a series of related transactions (other than the Offers) involving (i) any direct or indirect acquisition or purchase of (A) Company Securities that would result in any Person or a group of Persons owning 15% or more of the Company Shares (either directly or after conversion or exercise of such Company Securities) or (B) assets of the Company or any of its Subsidiaries, including by way of the acquisition or purchase of, or subscription to, any class of equity securities or voting rights of any of its Subsidiaries, that represent (or generate) 15% or more of the consolidated gross revenue, consolidated EBITDA or consolidated gross assets of the Company, as presented in the most recent audited annual consolidated financial statements of the Company; or (ii) any merger, reorganization, restructuring, contribution, share exchange, consolidation, business combination, joint venture, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its Subsidiaries or any of their respective assets meeting the tests set forth in prong (i)(B) of this definition, but with the exception of (x) intra-group reorganizations and transactions or (y) any transfer, sale, disposition, exchange or distribution of all or part of the Company's interest in ASN in accordance with the terms of this MoU and as described in Annex 2 (*Key Terms of the Offers*), provided that such transfer, sale, disposition, exchange or distribution does not involve or require the issuance of any Company Shares.

"**Alternate Proposal Agreement**" shall have the meaning set forth in Section 6.1.2(a).

"**AMF**" shall mean the French stock market authority (*Autorité des marchés financiers*).

"**AMF General Regulation**" shall mean the General Regulation (*Règlement général*) published by the AMF, as amended from time to time.

"**Announcement**" shall have the meaning set forth in Section 2.1.

"**ASB**" shall mean Alcatel Lucent Shanghai Bell Co., Ltd.

"**ASN**" shall mean Alcatel Lucent Submarine Networks.

"**ASN Transfer**" shall have the meaning set forth in Section 6.1.1.

"**Business Day**" shall mean any day on which banking institutions are open for regular business in Finland, France and the United States which is not a Saturday, a Sunday or a public holiday.

"**CFIUS**" shall mean the Committee on Foreign Investment in the United States.

"**CFIUS Approval**" shall mean (i) a written notice issued by CFIUS that it has concluded a review or investigation of the notification voluntarily provided pursuant to the DPA, with respect to the Offers or (ii) if CFIUS has sent a report to the President of the United States requesting the President's decision and (x) the President has announced a decision not to take any action to suspend or prohibit the Offers or (y) the President has not taken any action after fifteen (15) days from the date the President received such report from CFIUS.

"**Change in Company Announcement Statement**" shall mean at any time between the date hereof and the issuance of the Company Support Statement, the Company (through the Company Chief Executive Officer or the Chairman of the Company Board) or the Company Board (i) withdrawing, amending, qualifying or modifying, or publicly proposing to withdraw, amend, qualify or modify, the Company Announcement Statement in a manner materially adverse to Nokia, (ii) approving or recommending any Alternate Proposal, including by making any public statements that expressly and unequivocally support any Alternate Proposal, or (iii) failing, upon the request of Nokia, to recommend against any publicly announced bona fide and credible Alternate Proposal within ten (10) Business Days after the initial public announcement thereof, provided that any material change in price or any other material term of such Alternate Proposal shall be deemed to be a new Alternate Proposal for purposes of this clause (iii); and provided further that, with respect to any action or inaction of the Company Chief Executive Officer or the Chairman of the Company Board (without the consent of the Company Board), none of clauses (i), (ii) or (iii) shall constitute a Change in Company Announcement Statement if the Company Board, within two (2) Business Days of the relevant action or inaction, issues a statement expressly and unequivocally rejecting such action or inaction and re-issuing the Company Announcement Statement.

"**Change in Company Board Recommendation**" shall mean, at any time following the issuance of the Company Board Recommendation, the Company (through the Company Chief Executive Officer or the Chairman of the Company Board) or the Company Board (i) withdrawing, amending, qualifying or modifying, or publicly proposing to withdraw, amend, qualify or modify, the Company Board Recommendation in a manner materially adverse to Nokia, (ii) approving or recommending any Alternate Proposal, including by making any public statements that expressly and unequivocally support any Alternate Proposal, or (iii) failing, upon the request of Nokia, to recommend against any publicly announced bona fide and credible Alternate Proposal within ten (10) Business Days after the initial public announcement thereof, provided that any material change in price or any other material term of such Alternate Proposal shall be deemed to be a new Alternate Proposal for purposes of this clause (iii); and provided further that, with respect to any action or inaction of the Company Chief Executive Officer or the Chairman of the Company Board (without the consent of the Company Board), none of clauses (i), (ii) or (iii) shall constitute a Change in Company Board Recommendation if the Company Board, within two (2) Business Days of the relevant action or inaction, issues a statement expressly and unequivocally rejecting such action or inaction and re-issuing the Company Board Recommendation.

"**Change in Company Support Statement**" shall mean, at any time following the issuance of the Company Support Statement until the issuance of the Company Board Recommendation, the Company (through the Company Chief Executive Officer or the Chairman of the Company Board) or the Company Board (i) withdrawing, amending, qualifying or modifying, or publicly proposing to withdraw, amend, qualify or modify, the Company Support Statement in a manner materially adverse to Nokia, (ii) approving or recommending any Alternate Proposal, including by making any public statements that expressly and unequivocally support any Alternate Proposal, or (iii) failing, upon the request of Nokia, to recommend against any publicly announced bona fide and credible Alternate Proposal within ten (10) Business Days after the initial public announcement thereof, provided that any material change in price or any other material term of such Alternate Proposal shall be deemed to be a new Alternate Proposal for purposes of this clause (iii); and provided further that, with respect to any action or inaction of the Company Chief Executive Officer or the Chairman of the Company Board (without the consent of the Company Board), none of clauses (i), (ii) or (iii) shall constitute a Change in Company Support Statement if the Company Board, within two (2) Business Days of the relevant action or inaction, issues a statement expressly and unequivocally rejecting such action or inaction and re-issuing the Company Support Statement.

"**Change in Nokia Board Recommendation**" shall mean Nokia (through the Nokia Chief Executive Officer or the Chairman of the Nokia Board) or the Nokia Board (i) at any time withdrawing, amending, qualifying or modifying, or publicly proposing to withdraw, amend, qualify or modify, the Nokia Board Recommendation in a manner materially adverse to the Company or the holders of the Company Securities provided that, with respect to any action or inaction of the Company Chief Executive Officer or the Chairman of the Nokia Board (without the consent of the Nokia Board), none of the foregoing shall constitute a Change in Nokia Board Recommendation if the Nokia Board, within two (2) Business Days of the relevant action or inaction, issues a statement expressly and unequivocally rejecting such action or inaction and re-issuing the Nokia Board Recommendation or (ii) at the time Nokia convenes or holds the Nokia Shareholders' Meeting, the Nokia Board failing to reiterate the Nokia Board Recommendation.

"**Company**" shall have the meaning set forth in the first paragraph of this MoU.

"**Company Announcement Statement**" shall mean the statement attributed to the Company in the Announcement set forth in Annex 1 (*Announcement*), with such changes as the Parties may agree in writing.

"**Company Benefit Plan**" shall mean all employee benefit plans, compensation arrangements and other benefit arrangements (including employee agreements providing cash or equity-based compensation, vacation, retention, severance, change of control, savings contribution or other benefits or compensation) providing cash or equity-based incentives, profit sharing, health, medical, dental, disability, accident or life insurance benefits or vacation, paid time off, severance, change of control, retirement, pension or savings benefits, that are sponsored, maintained or contributed to, or with respect to which any potential liability is borne, by the Company or any of its Subsidiaries for the benefit of any current or former employees, directors or consultants of the Company or its Subsidiaries.

"**Company Board**" shall mean the board of directors of the Company.

"**Company Board Recommendation**" shall mean a statement in the Company Board's reasoned opinion (*avis motivé*) issued in accordance with Section 2.2.4 that the Offers are in the best interest of the Company and its stakeholders and recommending that all holders of Company Securities tender such Company Securities into the Offers.

"**Company Disclosure Letter**" shall have the meaning set forth in the first paragraph of Article III.

"**Company Intervening Event**" shall mean any change, condition, effect, event or occurrence that is unknown to and not reasonably foreseeable by the Company Board on the date of this MoU, which change, condition, effect, event or occurrence becomes known to the Company Board prior to the Completion Date; provided, however, that none of the following (or the consequences thereof) will constitute a Company Intervening Event: (i) any action taken by any Party pursuant to this MoU or in connection with the transactions contemplated by this MoU (including, for the avoidance of doubt, any actions taken or proposed to be taken pursuant to the obligations of the Parties under Section 5.2); (ii) any changes in the market price or trading volume of the Company Securities or the Nokia Shares or the respective credit ratings of the Company or Nokia (except that this clause (ii) will not prevent or otherwise affect a determination that any change, condition, effect, event or occurrence underlying such change has resulted in or contributed to a Company Intervening Event); (iii) the receipt, existence of or terms of any Alternate Proposal or any inquiry relating thereto or the implementation of any such arrangements; (iv) any change, condition, effect, event or occurrence relating to the transactions contemplated by this MoU; or (v) any change, condition, effect, event or occurrence referred to in clauses (i) through (ix) of the definition of Material Adverse Effect.

"**Company Performance Shares**" shall mean the performance shares (*actions de performance*) granted by the Company to its employees or executives pursuant to the Company Share Plans.

"**Company Reports**" shall have the meaning set forth in the first paragraph of Article III.

"**Company Securities**" shall have the meaning set forth in Recital (B).

"**Company Shares**" shall have the meaning set forth in Recital (B).

"**Company Share Options**" shall mean the share options granted by the Company to its employees or executives pursuant to the Company Share Plans.

"**Company Share Plan**" shall mean any share- or equity-based incentive plan under which the Company may issue share- or equity-based awards to directors, officers, employees or consultants of the Company or any of its Subsidiaries existing as of the date hereof or established in the ordinary course consistent with past practice after the date hereof, in each case as amended from time to time, including the share- or equity-based plans disclosed in Section 1.1 of the Company Disclosure Letter.

"**Company Support Statement**" shall mean the public statement of (i) the Chairman of the Company Board on behalf of the Company Board or (ii) the Company Board expressing unequivocal support of the Offers.

"**Company Termination Fee**" shall mean an amount equal to three hundred million euros (€300 000 000).

"**Competition Approvals**" shall mean the approvals and expiration or termination of waiting periods set forth in Part I, or determined pursuant to Part II, of Annex 4 (*Competition Approvals*).

"**Completion Date**" shall mean the first date of settlement and delivery of the Nokia Shares in accordance with the terms and conditions of the Offers after announcement of the successful result of the Offers by the AMF.

"**Confidentiality Agreement**" shall mean the non-disclosure agreement dated September 5, 2014, between the Company and Nokia.

"**Consents**" shall mean consents, registrations, approvals, authorizations, exemptions and waivers, in each case by any Relevant Authority in Finland, France, the United States and elsewhere (including the Competition Approvals and Regulatory Approvals).

"**Consultation**" shall have the meaning set forth in Section 5.1.

"**Contract**" shall mean, with respect to any Person, any written agreement, indenture, loan agreement, undertaking, note or other debt instrument, contract, lease, mortgage, deed, understanding, arrangement, commitment or other obligation to which such Person is a party or by which any of them may be bound or to which any of their properties may be subject (excluding any Permit, Company Benefit Plan, Company Share Plan or Nokia Share Plan or other benefit plan of the Company or Nokia or their respective Subsidiaries).

“**Control**”, and its correlative meanings, “**Controlling**” and “**Controlled**”, shall have the meaning given in Article L. 233-3 of the French Commercial Code.

“**Copyrights**” shall mean domestic and foreign registered and unregistered copyrights (including those in computer software and databases), rights of publicity and all registrations and applications to register the same and all corresponding “moral” rights.

“**Court**” shall have the meaning set forth in Section 9.14.

“**Dispute**” shall have the meaning set forth in Section 9.14.

“**DPA**” shall mean Section 721 of the Defense Production Act of 1950, as amended, including the implementing regulations thereof codified in 31 C.F.R. Part 800.

“**Exchange Act**” shall mean the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Failure to Issue the Company Support Statement**” shall mean not issuing a Company Support Statement.

“**Failure to Issue the Company Board Recommendation**” shall mean (i) not issuing a reasoned opinion (*avis motivé*) in accordance with Section 2.2.4 or (ii) failing to include the Company Board Recommendation in such reasoned opinion (*avis motivé*).

“**Favorable Report**” shall have the meaning set forth in Section 2.2.4.

“**Form F-4**” shall have the meaning set forth in Section 2.3.1.

“**Form F-6**” shall have the meaning set forth in Section 2.3.1.

“**French Labor Code**” shall mean the French *Code du travail*.

“**French Offer**” shall have the meaning set forth in Recital (C).

“**French Offer Documents**” shall mean the French Offer Prospectus, the Response Prospectus and the Offer Supplemental Prospectuses.

“**French Offer Filing Date**” shall have the meaning set forth in Section 2.2.1.

“**French Offer Opening Date**” shall mean the opening date of the French Offer (*date d’ouverture de l’offre*) published by the AMF in accordance with Article 231-32 of the AMF General Regulation.

“**French Offer Prospectus**” shall mean the prospectus (*note d’information de l’initiateur*) of Nokia relating to the French Offer to be prepared and filed by Nokia with, and approved by, the AMF in accordance with the AMF General Regulation.

“**French Regulatory Approval**” shall mean authorization of the Ministry of Economy and Finance of the French Republic in accordance with Articles L. 151-3 and R. 153-1 of the French Monetary and Financial Code (*Code monétaire et financier*) authorizing the change in Control of the Company.

"**FSA**" shall mean the Finnish Financial Supervisory Authority (*Finanssivalvonta*).

"**HSR Approval**" shall mean the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"**Fully Diluted Basis**" shall mean, on the date of announcement of the results of the French Offer taking into account the results of the U.S. Offer by the AMF, the ratio calculated as follows: (i) in the numerator, the sum of (A) the Company Shares validly tendered into the Offers on or prior to the date of closing of the Offers, and (B) the Company Shares issuable upon conversion of the OCEANEs or other convertible bonds validly tendered into the Offers on or prior to the date of closing of the Offers taking into account the conversion ratio applicable on the date of closing of the Offers; and (ii) in the denominator, the sum of (A) all Company Shares issued and outstanding on the date of closing of the Offers and (B) all Company Shares issuable at any time prior to, on or after the date of closing of the Offers upon the exercise of any outstanding options, warrants, convertible securities or rights to purchase, subscribe or be allocated, newly issued Company Shares, including upon conversion of the OCEANEs (taking into account the conversion ratio applicable on the date of closing of the Offers), exercise of Company Share Options or realization of Company Performance Shares.

"**ICC**" shall have the meaning set forth in Section 9.14.

"**IFRS**" shall mean International Financial Reporting Standards as adopted by the European Union.

"**Independent Expert**" shall have the meaning set forth in Section 2.2.4.

"**Independent Expert Report**" shall have the meaning set forth in Section 2.2.4.

"**Intellectual Property**" shall mean worldwide common law and statutory rights associated with (i) Patents, (ii) Copyrights, (iii) mask works and mask sets and all applications and registrations thereof, (iv) Trade Secrets, (v) Trademarks, (vi) Utility Models, (vii) divisions, continuations, renewals, reissuances and extensions of any of the foregoing (as applicable), and (viii) other proprietary rights relating to intangible intellectual property and analogous rights to those set forth above, including the right to enforce and recover remedies for any of the foregoing.

"**Law**" shall mean any law (including common law), statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, regulation or requirement, in each case enacted, issued, promulgated or enforced by any Relevant Authority in Finland, France, the United States or elsewhere.

"**Lien**" shall mean any lien, pledge, servitude, charge, security interest, option, claim, mortgage, lease, easement, proxy, voting trust or agreement, encumbrance or any other restriction on title or transfer of any nature whatsoever.

"**Liquidity Event**" shall have the meaning set forth in Section 2.5.1.

"**Lock-Up Period**" shall have the meaning set forth in Section 2.5.1.

"**Long Stop Date**" shall mean June 30, 2016, or such later date as may be mutually agreed between the Parties in writing; provided, however, that if the Material Competition Approvals, the Regulatory Approvals or the Nokia Shareholder Approval have not been obtained by June 30, 2016, either Party shall, at its sole discretion, be entitled to postpone (at once or in increments) the Long Stop Date to a date no later than September 30, 2016 by providing prior written notice to the other Party.

"**Material Adverse Effect**" shall mean, with respect to any Person, any change, condition, effect, event or occurrence that, individually or in the aggregate with other changes, conditions, effects, events or occurrences, has had, or would reasonably be expected to have, a materially adverse effect on the business, condition (financial or otherwise), assets, liabilities or operations of such Person and its Subsidiaries, taken as a whole, provided, however, that none of the following changes, conditions, effects, events or occurrences (or the results thereof), either individually or in the aggregate, shall be considered in determining whether a Material Adverse Effect has occurred: (i) any change in global, national or regional political conditions (including the outbreak of, or changes in, war, acts of terrorism or other hostilities) or in general global, national or regional economic, regulatory or market conditions or in national or global financial or capital markets, so long as in each case such changes do not disproportionately impact the Person and its Subsidiaries relative to other participants in the same or similar industries; (ii) any change in applicable accounting principles or any adoption, implementation or change in any applicable Law (including any Law in respect of Taxes) or any interpretation thereof by a Relevant Authority; (iii) any change generally affecting similar industries or market sectors in the geographic regions in which the Person and its Subsidiaries operate, so long as in each case such changes do not disproportionately impact the Person and its Subsidiaries relative to other participants in the same or similar industries; (iv) the negotiation, execution, announcement or performance of this MoU or consummation of the transactions contemplated by this MoU; (v) any change or development to the extent resulting from any action by a Person or its Subsidiaries that is expressly required to be taken by this MoU; (vi) any change resulting from or arising out of hurricanes, earthquakes, floods, or other natural disasters; (vii) the failure of any Person and its Subsidiaries to meet any internal or public projections, forecasts or estimates of performance, revenues or earnings (it being understood that any change, condition, effect, event or occurrence that caused such failure but that are not otherwise excluded from the definition of Material Adverse Effect may constitute or contribute to a Material Adverse Effect); (viii) the announcement of Nokia as the prospective acquirer of the Company and its Subsidiaries or, solely with respect to the Company and its Subsidiaries, any announcements or communications by or authorized by Nokia regarding Nokia's plans or intentions with respect to the Company and its Subsidiaries (including the impact of any such announcements or communications on relationships with customers, suppliers, employees or regulators); or (ix) any actions (or the effects of any actions) taken (or omitted to be taken) by the Person or its Subsidiaries upon the written request or written instruction of, or with the written consent of, the other Person.

"**Material Competition Approvals**" shall mean the Competition Approvals set forth in Part I of Annex 4 (*Competition Approvals*).

"**Minimum Tender Condition**" shall have the meaning set forth in Section 7.4.

"**MOFCOM**" shall mean the Chinese Ministry of Finance and Commerce.

"**MoU**" shall have the meaning set forth in the first paragraph of this MoU.

"**Nokia**" shall have the meaning set forth in the first paragraph of this MoU.

"**Nokia Board**" shall mean the board of directors of Nokia.

"**Nokia Board Recommendation**" shall have the meaning set forth in Recital (F).

"**Nokia Change in Recommendation Fee**" shall mean an amount equal to three hundred million euros (€300 000 000).

"**Nokia Disclosure Letter**" shall have the meaning set forth in the first paragraph of Article IV.

"**Nokia French Regulatory Approval Failure Fee**" shall mean an amount equal to one hundred million euros (€100 000 000).

"**Nokia Intervening Event**" shall mean any change, condition, effect, event or occurrence that is unknown to and not reasonably foreseeable by the Nokia Board on the date of this MoU, which change, condition, effect, event or occurrence becomes known to the Nokia Board prior to obtaining the Nokia Shareholder Approval; provided, however, that none of the following (or the consequences thereof) will constitute a Nokia Intervening Event: (i) any action taken by any Party pursuant to this MoU or in connection with the transactions contemplated by this MoU (including, for the avoidance of doubt, any actions taken or proposed to be taken pursuant to the obligations of the Parties under Section 5.2); (ii) any changes in the market price or trading volume of the Company Securities or the Nokia Shares or the respective credit ratings of the Company or Nokia (except that this clause (ii) will not prevent or otherwise affect a determination that any change, condition, effect, event or occurrence underlying such change has resulted in or contributed to a Nokia Intervening Event); (iii) the receipt, existence of or terms of any proposal by a third party to acquire (directly or indirectly) an interest, assets, securities or enter into an arrangement (including any merger, reorganization, restructuring, contribution, share exchange, consolidation, business combination, joint venture, recapitalization, liquidation, dissolution or similar transaction) in respect of Nokia or any of Nokia's Subsidiaries or any inquiry relating thereto, or the implementation of any such arrangements; (iv) any change, condition, effect, event or occurrence relating to the transactions contemplated by this MoU; or (v) any change, condition, effect, event or occurrence referred to in clauses (i) through (ix) of the definition of Material Adverse Effect.

"**Nokia Performance Shares**" shall mean the performance shares granted by Nokia to its employees or executives pursuant to the Nokia Share Plans.

"**Nokia Regulatory Approval Failure Fee**" shall mean an amount equal to four hundred million euros (€400 000 000).

"**Nokia Reports**" shall have the meaning set forth in the first paragraph of Article IV.

"**Nokia Shareholder Approval**" shall have the meaning set forth in Section 6.2.2.

"**Nokia Shareholder Approval Failure Fee**" shall mean an amount equal to one hundred fifty million euros (€150 000 000).

"**Nokia Shareholders' Meeting**" shall have the meaning set forth in Section 6.2.2.

"**Nokia Share Options**" shall mean the stock options granted by Nokia to its employees or executives pursuant to the Nokia Share Plans.

"**Nokia Share Plan**" shall mean any share- or equity-based incentive plan under which Nokia may issue share- or equity-based awards to directors, officers, employees or consultants of Nokia or any of its Subsidiaries existing as of the date hereof or established in the ordinary course consistent with past practice after the date hereof, in each case as amended from time to time.

"**Nokia Shares**" shall have the meaning set forth in Section 2.4.1.

"**NYSE**" shall mean the New York Stock Exchange.

"**OCEANEs**" shall mean collectively: (i) the EUR 628 946 424 bonds convertible into new Company Shares or exchangeable for existing Company Shares due on July 1, 2018, (ii) the EUR 688 425 000 bonds convertible into new Company Shares or exchangeable for existing Company Shares due on January 30, 2019 and (iii) the EUR 460 289 979.90 bonds convertible into new Company Shares or exchangeable for existing Company Shares due on January 30, 2020.

"**Offer Documents**" shall mean the French Offer Documents and the U.S. Offer Documents.

"**Offer Exchange Ratio**" shall have the meaning set forth in Section 2.4.1.

"**Offer Supplemental Prospectus**" shall mean the document to be prepared and filed with the AMF in accordance with Article 231-28 of the AMF General Regulation (i) in the case of Nokia, containing such other information (including legal, financial and accounting information) relating to Nokia as required by the AMF instruction No. 2006-07 which shall include or incorporate by reference the listing documentation to be prepared in respect of Nokia to have its shares admitted for listing on Euronext Paris in accordance with the AMF General Regulation, and (ii) in the case of the Company, containing such other information (including legal, financial and accounting information) relating to the Company as required by the AMF instruction No. 2006-07.

"**Offers**" shall have the meaning set forth in Recital (B).

"**Organizational Documents**" shall mean, with respect to any Person, the certificate of incorporation, articles of association, limited liability company by-laws, organizational regulations or similar organizational documents of such Person.

"**Party**" shall have the meaning set forth in the first paragraph of this MoU.

"**Patents**" shall mean issued domestic and foreign patents and registrations and pending patent applications thereof, patent disclosures, and any and all divisions, continuations, continuations-in-part, reissues, reexaminations, and extensions thereof, any counterparts claiming priority therefrom, industrial design protections, design patents, patents of importation/confirmation, certificates of invention and like statutory rights.

"**Permit**" shall mean all permits, licenses, franchises, variances, exemptions, orders and other authorizations, consents and approvals issued by or obtained from a Relevant Authority.

"**Permitted Nokia Dividend**" shall mean one or more cash dividends payable by Nokia in the 2015 calendar year in the ordinary course of business consistent with past practices in the cumulative amount of up to €0.14 per Nokia Share.

"**Person**" shall mean any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body or other entity.

"**Pre-Completion Nokia Business**" shall have the meaning set forth in Section 5.2.

"**Recipient**" shall have the meaning set forth in Section 8.5.5.

"**Reference Document**" shall mean the annual report of the Company filed with the AMF (*Document de référence*).

"**Refinancing**" shall mean, in respect of any indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease, buy back, tender for, exercise a call in respect of or retire, or to issue other indebtedness either prior or subsequent to the foregoing in exchange or replacement for such indebtedness.

"**Registration Statement**" shall have the meaning set forth in Section 2.3.1.

"**Regulatory Approvals**" shall mean the CFIUS Approval and the French Regulatory Approval.

"**Relevant Authority**" shall mean any Finnish, French, European Union, U.S. and other supranational, national, federal, regional or local legislative, administrative or regulatory authority, agency, court, tribunal, arbitrator, arbitration panel or similar body or any securities exchange on which any securities of either Party are trading, in each case only to the extent that such entity has authority and jurisdiction in the particular context.

"**Response Prospectus**" shall mean the response prospectus (*note en réponse*) relating to the French Offer to be prepared and filed by the Company with, and approved by, the AMF in accordance with the AMF General Regulation.

"**Restriction**" shall have the meaning set forth in Section 5.2.

"**Restricting Law**" shall have the meaning set forth in Section 7.1.1.

"**Rules**" shall have the meaning set forth in Section 9.14.

"**Schedule 14D-9**" shall have the meaning set forth in Section 2.3.1.

"**SEC**" shall mean the U.S. Securities and Exchange Commission.

"**Securities Act**" shall mean the U.S. Securities Act of 1933, as amended, and the rules and regulation promulgated thereunder.

"**Subsidiary**" shall mean, with respect to any Person, any other Person Controlled by such Person, including, with respect to the Company and notwithstanding anything to the contrary set forth herein, ASB.

"**Superior Proposal**" shall mean any bona fide written Alternate Proposal from any Person or group of Persons (provided that, for the purpose of this definition, all references to "15%" in the definition of "Alternate Proposal" shall be replaced by "30%" with respect to prong (i)(A) of the Alternate Proposal definition and shall be replaced by "50%" with respect to prong (i)(B) of the Alternate Proposal definition) that the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) (i) to be more favorable to the Company, the holders of Company Securities and the other stakeholders of the Company than the Offers, taking into account, among other things, (x) all legal, financial, regulatory, timing, financing and other aspects of the Alternate Proposal, this MoU and the Offers on the terms described in this MoU (including the respective conditions to and the respective expected timing and risks of consummation), (y) any improved terms that Nokia may have offered pursuant to and in accordance with Section 6.1.2(d)(ii), and (z) the corporate interest (*intérêt social*) of the Company and (ii) the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) that failure to pursue such Alternate Proposal would be inconsistent with its fiduciary duties under applicable Law.

"**Tax**" shall mean all national, regional, federal, state, and local income, gain, profits, windfall profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, social security contributions, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions.

“**Trade Secrets**” shall mean confidential and proprietary information, trade and industrial secrets and discoveries, concepts, ideas, research and development, technology, know-how, including scientific, engineering, mechanical, electrical, financial, marketing, practical and other similar knowledge or experience, formulae, inventions, compositions, processes, techniques, technical data and information, procedures, semiconductor device structures (including gate structures, transistor structures, memory cells or circuitry, vias and interconnects, isolation structures and protection devices), circuit block libraries, designs (including circuit designs and layouts), drawings, specifications, databases and other information, including customer lists, supplier lists, bill of materials lists, pricing and cost information, and business, product, development, sourcing and marketing plans, roadmaps and proposals, in each case, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, other Persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

“**Trademarks**” shall mean domestic and foreign registered and unregistered trademarks, trade dress, service marks, logos, trade names, corporate names and all registrations and applications to register the same.

“**Transaction Committee**” shall have the meaning set forth in Section 6.3.2.

“**Tribunal**” shall have the meaning set forth in Section 9.14.

“**U.S. Offer**” shall have the meaning set forth in Recital (D).

“**U.S. Offer Documents**” shall have the meaning set forth in Section 2.3.1.

“**Utility Model**” shall mean issued domestic and foreign utility models and pending utility model applications, utility model disclosures, and any and all extensions thereof.

“**Works Council**” shall have the meaning set forth in Section 5.1.

Section 1.2 Interpretation

For the purposes of this MoU: (i) words (including capitalized terms defined herein) in the singular include the plural and *vice versa* as the context requires; (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import, unless otherwise expressly provided, refer to this MoU as a whole (including all Annexes hereto, the Company Disclosure Letter and the Nokia Disclosure Letter) and not to any particular provision of this MoU, and Article, Section, Annex, Company Disclosure Letter and Nokia Disclosure Letter references are to the Articles, Sections, Annexes, Company Disclosure Letter and Nokia Disclosure Letter to this MoU unless otherwise expressly provided; (iii) the word “including” and words of similar import when used in this MoU mean “including without limitation” unless otherwise expressly provided; and (iv) all references to any period of days refer to the relevant number of calendar days unless otherwise expressly provided.

ARTICLE II

THE OFFERS

Section 2.1 Announcement

Promptly following the execution of this MoU, Nokia and the Company shall jointly issue a press release and/or stock exchange release in the form set forth in Annex 1 (*Announcement*), with such changes as the Parties may agree in writing (the "**Announcement**").

Section 2.2 French Offer

2.2.1 Filing of the French Offer

As soon as practicable after, and in any event within three (3) Business Days following, the date on which the last of the conditions precedent set forth in Section 7.1 and Section 7.2 is satisfied or waived in accordance with Article VII, Nokia shall (i) cause its presenting bank(s) (*établissement présentateur(s)*) (which it shall appoint in a timely manner) to file the French Offer (including the draft French Offer Prospectus) with the AMF in accordance with Article 231-13 of the AMF General Regulation, (ii) publish the press release required pursuant to Articles 231-16 III of the AMF General Regulation summarizing the key terms of the French Offer and (iii) make the draft French Offer Prospectus available to the public in accordance with Article 231-16 I and II of the AMF General Regulation (such date, the "**French Offer Filing Date**"). Notwithstanding the foregoing, the Parties will jointly endeavor to schedule the French Offer Filing Date such that the Offers shall remain open for a period of at least ten (10) Business Days following receipt of the Nokia Shareholder Approval.

On the French Offer Filing Date, subject to (a) having received at least three (3) Business Days' prior written notice from Nokia of the contemplated French Offer Filing Date, (b) the Consultation having been completed, (c) the Independent Expert Report having been issued and (d) the Company Board having issued its reasoned opinion (*avis motivé*) pursuant to Article 231-19, 4° of the AMF General Regulation, the Company shall (i) file with the AMF and make available to the public the draft Response Prospectus in accordance with Article 231-26 of the AMF General Regulation and (ii) publish the press release required pursuant to Article 231-26 II of the AMF General Regulation.

In case of significant change in the information presented to the Works Council between the Announcement and the French Offer Filing Date, requiring a new consultation to be conducted pursuant to the third paragraph of Section 5.1, the draft Response Prospectus mentioned in the immediately preceding paragraph shall be issued only once the new consultation is completed in accordance with applicable Law. In case those significant changes are such that they would require a new Company Board Recommendation (*avis motivé*), a new Company Board Recommendation shall be issued at the latest two (2) Business Days following the completion of the new consultation and attached to the draft Response Prospectus.

Sufficiently in advance of the filing of the Offer Supplemental Prospectuses, Nokia shall (i) prepare and file a listing prospectus with the FSA for purposes of offering the Nokia Shares as consideration in the Offers and listing such Nokia Shares on NASDAQ OMX Helsinki Ltd. in accordance with applicable Finnish Law, (ii) cause the Finnish listing prospectus approved by the FSA to be passported into France pursuant to Article 212-3 and Articles 212-40 to 212-42 of the AMF General Regulation and (iii) file a complete application for listing with Euronext Paris so that the Nokia Shares are admitted for listing on Euronext Paris on or as soon as practically possible after the Completion Date.

Each of Nokia and the Company shall prepare its Offer Supplemental Prospectus in accordance with Article 231-28 of the AMF General Regulation in advance of the French Offer Opening Date so that it is ready to be filed with the AMF on or promptly after the French Offer Filing Date and made public no later than on the Business Day immediately prior to the French Offer Opening Date.

2.2.2 Commencement of the French Offer

Promptly after the approval by the AMF of the terms of the French Offer and of the French Offer Prospectus and Response Prospectus, Nokia and the Company shall publish (i) the French Offer Prospectus and Response Prospectus, respectively, in accordance with Article 231-27 of the AMF General Regulation, and (ii) their respective Offer Supplemental Prospectuses no later than the day immediately prior to the French Offer Opening Date in accordance with Article 231-28 of the AMF General Regulation.

2.2.3 Subsequent Offering Period

Subject to the other provisions of this Section 2.2.3, within ten (10) Business Days after the date of announcement of the final successful results of the French Offer taking into account the results of the U.S. Offer by AMF (subject to the satisfaction or waiver of the Minimum Tender Condition and the receipt of the Nokia Shareholder Approval), Nokia shall conduct a subsequent offering period for the French Offer in accordance with Article 232-4 of the AMF General Regulation and SEC rules and regulations, as applicable, during which Nokia shall offer to acquire all remaining outstanding Company Securities pursuant to the same terms as those of the French Offer.

2.2.4 Issuance of the Company Board's Reasoned Opinion

The Company Board shall within a reasonable time prior to the French Offer Filing Date appoint an independent expert (the "**Independent Expert**") in accordance with Article 261-1 of the AMF General Regulation for purposes of issuing, reasonably prior to the French Offer Filing Date, a fairness opinion complying with Article 262-1 of the AMF General Regulation in respect of the terms of the Offers (the "**Independent Expert Report**").

As soon as practicable (and in any event no later than three (3) Business Days) after having completed the Consultation and received the Independent Expert Report that includes the opinion of the Independent Expert that the terms of the Offers are fair to the holders of Company Securities from a financial point of view (a "**Favorable Report**"), the Company Board shall issue its reasoned opinion (*avis motivé*) pursuant to Article 231-19, 4° of the AMF General Regulation. The Parties shall cooperate with the Independent Expert and use their respective reasonable best efforts to cause the Independent Expert to issue a Favorable Report.

The Company shall include the reasoned opinion (*avis motivé*) issued by the Company Board in the Response Prospectus and the Schedule 14D-9 to be made available to the security holders of the Company with respect to the Offers.

If at any time prior to the French Offer Filing Date, the Company becomes aware that the Independent Expert is likely not to issue a Favorable Report by the French Offer Filing Date, including as a result of the Independent Expert informing the Company in writing or otherwise that it cannot or is likely not able to issue a Favorable Report, the Company shall promptly and in any event within two (2) Business Days, notify Nokia in writing of the possibility of a Favorable Report not being issued and of all material facts and circumstances (to the extent known by the Company) related to such possibility.

Section 2.3 U.S. Offer

2.3.1 Filing of the U.S. Offer

Nokia shall, in accordance with applicable U.S. securities laws, file with the SEC a registration statement on Form F-4 (such Form F-4, together with any amendments, supplements and exhibits thereto, the "**Form F-4**") with respect to the Nokia Shares to be offered in the Offers and, to the extent required by the U.S. securities laws, a registration statement on Form F-6 (such Form F-6, together with any amendments, supplements and exhibits thereto, the "**Form F-6**", and the Form F-4 and the Form F-6 together, the "**Registration Statements**") with respect to the Nokia Shares represented by ADSs to be offered in the Offers, in each case sufficiently in advance of the French Offer Filing Date so that the relevant SEC comments are reasonably likely to be resolved prior to the French Offer Filing Date. The Company will be given a reasonable opportunity to review and comment on the Registration Statements prior to filing with the SEC and Nokia shall provide the Company and its advisers with any comments, whether written or oral, that Nokia or its advisers may receive from time to time from the SEC or its staff, with respect to the Registration Statements. Nokia shall have the Registration Statements declared effective by the SEC as promptly as reasonably practicable after the filing thereof with the SEC, and in no event later than the French Offer Opening Date, and shall keep the Registration Statements effective as long as is necessary to consummate the Offers. Nokia shall advise the Company of the time when the Registration Statements have become effective, of the issuance of any stop order with respect to the Registration Statements. The U.S. Offer shall be made on terms at least as favorable as those offered to holders of Company Securities under the French Offer. Nokia shall use its reasonable best efforts to obtain from the SEC any no-action or exemptive relief necessary to permit the implementation and consummation of the Offers in accordance with the terms of this MoU. The Company shall use its reasonable best efforts to cooperate with Nokia in determining if any such exemptive relief is necessary and, if required, shall reasonably cooperate with Nokia to obtain such relief.

On the French Offer Opening Date, Nokia shall, in accordance with applicable U.S. securities laws, commence the U.S. Offer and file with the SEC a Tender Offer Statement on Schedule TO with respect to the U.S. Offer, which shall contain an offer to purchase and a related letter of transmittal and summary advertisement (such Schedule TO, together with the Registration Statements and the documents included in such Schedule TO or the Registration Statements, together with any supplements or amendments thereto, the "**U.S. Offer Documents**") and shall mail or otherwise disseminate in accordance with the U.S. securities laws the U.S. Offer Documents to all holders of Company Securities included in the U.S. Offer.

On the date the U.S. Offer Documents are filed with the SEC and as soon as practicable on such date after such filing, the Company shall, in accordance with applicable U.S. securities laws, file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the U.S. Offer (the "**Schedule 14D-9**") containing the Company Board's reasoned opinion (*avis motivé*) issued pursuant to Article 231-19 of the AMF General Regulation and shall mail the Schedule 14D-9 to all holders of Company Securities included in the U.S. Offer.

Nokia will prepare and submit to the NYSE an application covering the ADSs being issued in the Offers and will use its reasonable best efforts to cause the ADSs to be approved for listing (subject to notice of issuance) and trading on the NYSE at or prior to the Completion Date.

In accordance with applicable Law, Nokia acknowledges that it shall not, from the date of the MoU to the date of publication of the results of the Offers, directly or indirectly purchase or arrange to purchase any Company Securities except as part of the Offers.

2.3.2 Duration of the U.S. Offer

Subject to applicable Law, Nokia shall ensure that the period during which the U.S. Offer is open corresponds to the period during which the French Offer is open (including any extensions or subsequent offering periods in relation to the French Offer, including any subsequent offering period pursuant to Section 2.2.3).

Section 2.4 General Terms and Conditions of the Offers

2.4.1 Offer Consideration

Subject to the terms and conditions of this MoU, on the relevant Offers settlement date (or the relevant settlement date with respect to any additional exchange mechanism described in Section 2.5), the Company Securities tendered into the Offers (including during any extension of the Offers) will be exchanged for newly issued shares of Nokia (the "**Nokia Shares**"), in accordance with the offer exchange ratio applicable to the relevant types of Company Securities (including any applicable adjustments required by this Section 2.4) set forth in Annex 2 (*Key Terms of the Offer*) as may be amended from time to time in accordance with this Section 2.4 (the "**Offer Exchange Ratio**").

If between the date of this MoU and the relevant settlement dates of the Offers (or the relevant settlement date with respect to any additional exchange mechanism described in Section 2.5), the outstanding Company Shares or Nokia Shares are changed into a different number of shares or a different class by reason of any share dividend, subdivision, reclassification, split, reverse split, combination or exchange of shares, or the Company or Nokia resolves to pay any dividend (other than, with respect to Nokia, the Permitted Nokia Dividend) or make any other distribution to its security holders or shareholders in each case with a record date before the settlement of the Offers (or the relevant settlement date with respect to any additional exchange mechanism described in Section 2.5), then the Offer Exchange Ratio will be appropriately adjusted to provide to the holder of such Company Security the same economic effect as contemplated by this MoU prior to such event. Notwithstanding the foregoing, if the Offer Exchange Ratio is required to be adjusted pursuant to the distribution or spin-off to the holders of Company Shares of all or part of the Company's interest in ASN, such adjustment shall be calculated in accordance with Annex 2 (*Key Terms of the Offers*) and, with respect to the OCEANEs, shall be calculated in accordance with the relevant terms thereof. Nothing set forth in this Section 2.4.1 shall in any way limit or otherwise affect the Company's obligations under Section 6.1.1 or Nokia's obligations under Section 6.2.1.

2.4.2 Treasury Shares

Subject to the Offers being filed and opened in accordance with applicable Law, the Company shall and shall cause each of its Subsidiaries to tender into the Offers all Company Securities held by the Company or any of its Subsidiaries at the date of the French Offer Opening Date, other than those held for purposes of (i) the payment of performance units in Company Shares, (ii) the Company Shares to be received in lieu of Company Share Options, in each case as further described in Section 1.1. of the Company Disclosure Letter and (iii) the payment of the indemnity in Company Shares in accordance with Section 2.5.2.

2.4.3 Amendments to the Offers

Subject to the second paragraph of Section 2.4.1 and Nokia's right to waive the Minimum Tender Condition or withdraw the French Offer pursuant to Article 232-11 of the AMF General Regulation, Nokia shall not, without the prior written consent of the Company, amend, modify, supplement or waive any term or condition of the Offers in a manner materially adverse to the Company or the holders of Company Securities.

Section 2.5 Additional Exchange Mechanism

2.5.1 Company Share Options

On the date of this MoU, the Company Board has resolved to accelerate or waive certain terms of the Company Share Plans and make other amendments thereto, as further described in Section 1.1 of the Company Disclosure Letter.

To the extent legally possible, the Parties shall put in place a liquidity mechanism for the holders of Company Share Options who, on or prior to the closing of the Offers or, if applicable, the subsequent offering period for the French Offer in accordance with Article 232-4 of the AMF General Regulation, cannot exercise their Company Share Options, tender the underlying Company Shares into the French Offer or the U.S. Offer, or sell the Nokia Shares that they would receive in exchange for the Company Shares resulting from the exercise of Company Share Options and tendered into any of the Offers, as applicable, due solely to legal, regulatory or governance constraints or holding periods, or would be subject to a less favorable tax treatment pursuant to such exercise, tender or sale because of tax constraints pursuant to Article 163 bis C of the French tax code or equivalent provisions of other jurisdictions (such legal, tax, regulatory or governance constraints or holding periods, the "**Lock-Up Period**"), provided, that such liquidity mechanism shall (i) provide for the exchange of the relevant Company Shares into Nokia Shares in accordance with the Offer Exchange Ratio (or, at Nokia's sole discretion, the acquisition for cash by Nokia of the relevant Company Shares at a price determined in accordance with the Offer Exchange Ratio and the average market price of the Nokia Shares over a period to be agreed and ending on the date of such acquisition by Nokia), subject to legal or customary adjustments, (ii) become effective only at the expiration of any applicable Lock-Up Period and subject to the condition that there is a Liquidity Event with respect to the Company Shares on or before such date and (iii) only be provided if the respective holders of Company Share Options have agreed to, promptly upon the expiration of any applicable Lock-Up Period pursuant to the terms of a liquidity agreement to be entered into between the relevant holders and Nokia, exercise the Company Share Options and immediately request the exchange (or, as the case may be, purchase) of the Company Shares resulting from such exercise, or to waive their right to such Company Share Options if they have not exercised them after a certain period to be agreed following the expiration of such Lock-Up Period. The occurrence of a "Liquidity Event" shall be agreed by the Parties in good faith taking into consideration the factors relevant to the liquidity of the Company Shares, provided that (a) the de-listing of the Company Shares, (b) the holding by Nokia of more than 85% of the Company Shares or (c) the average daily trading volume of the Company Shares on Euronext Paris falling below five million (5 000 000) Company Shares for twenty (20) consecutive trading days, shall in each case be deemed to constitute a Liquidity Event. The Company shall use commercially reasonable best efforts to allow Nokia to enter into liquidity agreements with beneficiaries of outstanding Company Share Options prior to the French Offer Opening Date.

The liquidity mechanism described above will also apply to Company Shares (i) received by holders of performance units granted by the Company prior to the date hereof who will receive Company shares, as decided by the Company Board on the date hereof and described in the Company Disclosure Letter and (ii) received in lieu of Company Share Options as described in Section 1.1 of the Company Disclosure Letter, it being understood that clause (ii) of the preceding paragraph will not apply to all such Company Shares. Such liquidity mechanism shall provide for the mandatory exchange of the relevant Company Shares into Nokia Shares in accordance with the Offer Exchange Ratio, subject to legal or customary adjustments, at their respective maturity in 2016, 2017 and 2018.

To the extent legally possible and practicable, the Parties may consider and agree on a cash compensation by the Company for Company Share Options that are out of the money at the date when a Liquidity Event occurs, but remain outstanding following such Liquidity Event pursuant to the terms and conditions of the relevant Company Share Plan.

In the event that the liquidity mechanism described in this Section 2.5.1 is not (or is not capable of being) implemented or applicable to all holders of Company Stock Options, the Parties agree to discuss in good faith any alternative solutions resulting in the substantially equivalent effect.A

Except as expressly set forth in the Company Disclosure Letter, the Company shall not, without Nokia's prior written consent, grant new Company Share Options, Company Performance Shares, other equity-based rights or securities, or performance units or, after the date hereof, or approve or amend any Company Share Plan.

2.5.2 Company Performance Shares

The Company shall offer the beneficiaries of Company Performance Shares to waive their rights to receive such Company Performance Shares in accordance with applicable Laws (except for Company Performance Shares granted after the date hereof as disclosed in the Company Disclosure Letter), in exchange for an indemnity which will be payable either in Company Shares or in cash, at the option of the Company, provided that, if the Company chooses to offer an indemnification in Company Shares, the beneficiary will have to undertake to tender such Company Shares into the Offers.

If the Company chooses to offer an indemnity in Company Shares, the number of Company Shares delivered as indemnity shall be equal to the total number of Company Performance Shares granted to the relevant beneficiary as if all presence conditions and performance conditions were fulfilled. However, in respect of performance conditions relating to periods ending prior to the date hereof, the indemnity will be paid only to the extent such conditions have been fulfilled in accordance with their terms. Such Company Shares will be delivered out of treasury shares held by the Company or its Subsidiaries.

Such indemnity in Company Shares will be payable between the Business Day following the announcement of the result of the Offers and the opening of the subsequent offering period for the French Offer in accordance with Article 232-4 of the AMF General Regulation.

In respect of beneficiaries who elect not to accept the indemnity, the terms and conditions of their Company Performance Shares will remain unchanged, including the performance conditions and the presence conditions, provided that the Parties agree to determine in good faith, between the date hereof and the French Offer Filing Date, the adjustments necessary to the performance conditions attached to any such Company Performance Shares as a result of the closing of the Offers and the Company Board shall amend the terms and conditions of the applicable award agreement and Company Share Plans correspondingly. In particular, the Parties will discuss in good faith (i) appropriate references for the evolution of the share price of the Company and Nokia before and after the closing of the Offers or, if applicable, the subsequent offering period for the Offers, or the completion of any squeeze-our procedure, if applicable, as well as (ii) the methodology relating to, and composition of, the appropriate panel of comparable companies for purposes of such performance conditions.

The Company will ensure, if legally permissible, that (i) the terms and conditions of the liquidity mechanism described above will automatically apply to any person accepting the grant of Company Performance Shares after the date hereof (e.g., through any online acceptance facility provided by the Company) and (ii) that such liquidity mechanism enters into effect immediately upon the expiration of any applicable Lock-Up Period.

To the extent legally possible, the Parties shall put in place a liquidity mechanism, under the conditions set forth in Section 2.5.1, for the holders of the Company Performance Shares which are subject to a Lock-Up Period and for holders who have not elected the indemnity described above.

In the event that the liquidity mechanism described in this Section 2.5.2 is not (or is not capable of being) implemented or applicable to all holders of Company Performance Shares, the Parties agree to discuss in good faith any alternative solutions resulting in the substantially equivalent effect.

In any event, Nokia may decide to offer to roll over the Company Performance Shares plans into equivalent performance share programs applicable within the Nokia group.

Section 2.6 Post-Offers Reorganization

If, at the closing of the Offers or the reopened Offers, as the case may be, Nokia owns 95% of the share capital and voting rights of the Company, Nokia shall implement a squeeze-out of the remaining outstanding Company Shares within three (3) months of the closing of the Offers or, if applicable, the subsequent offering period for the Offers.

If, at the closing of the Offers or, if applicable, the subsequent offering period for the Offers Nokia owns 95% of the sum of the outstanding Company Shares and the Company Shares issuable upon conversion of the OCEANEs, Nokia shall implement a squeeze-out of the remaining OCEANEs within three (3) months of the closing of the Offers or, if applicable, the subsequent offering period for the Offers.

If Nokia owns less than 95% of the share capital and voting rights of the Company immediately after the closing of the Offers or, if applicable, the subsequent offering period for the Offers, then Nokia reserves the right to (i) commence a mandatory buy-out offer for the Company Securities it does not own on the relevant date pursuant to Article 236-3 of the AMF General Regulation if at any time it owns 95% or more of the voting rights of the Company, (ii) commence at any time a simplified offer for the Company Securities it does not own on the relevant date pursuant to Article 233-1 *et seq*. of the AMF General Regulation, or (iii) cause the Company to be merged into Nokia or an affiliate thereof, contribute assets to, merge certain of its Subsidiaries with, or undertake other reorganizations of, the Company.

Section 2.7 Furnishing of Information

To the extent permitted under applicable Law and subject to the provisions of the Confidentiality Agreement, each Party shall promptly furnish the other Party all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably requested by the other Party in connection with any Offer Document or Schedule 14D-9. To the extent permitted under applicable Law, each Party shall provide the other Party with a reasonable opportunity to review in advance and comment on drafts of filings and submissions made with the relevant securities regulators (including the AMF, the SEC and the FSA) in connection with the Offers, including the Offer Documents and Schedule 14D-9.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as (i) set forth with reasonable specificity in the disclosure letter dated the date hereof delivered to Nokia by the Company (the "**Company Disclosure Letter**"), (ii) disclosed in any Reference Document or annual report on Form 20-F of the Company, (iii) disclosed in any release, report, schedule, form, statement or other document filed with the AMF, the SEC or the French Registry of Commerce and Companies (*Registre de commerce et des sociétés*), or (iv) disclosed in any investor communication disseminated via the "Investors & Shareholders" section of the Company's website, in each case as issued, disseminated, published or filed on or prior to the date hereof and, in each of cases (ii), (iii) and (iv), only if such Reference Document, release, annual report, report, schedule, form, statement, other document, or communication, is publicly available on the date hereof on the "Investors & Shareholders" section of the website of the Company or on the website of the AMF or the

SEC or the French Registry of Commerce and Companies ((ii), (iii) and (iv), collectively, the "**Company Reports**") (other than disclosures relating to risk factors or any disclosure in any Company Report to the extent that such disclosure is predictive or forward-looking in nature, and provided that the relevant exception to such representation and warranty is reasonably apparent from such Company Report), the Company hereby represents and warrants to Nokia that all the statements contained in Section 3.1 to Section 3.10 (a) are true and complete in all material respects (except that all statements that are qualified as to Material Adverse Effect are true and complete in all respects, giving effect to such qualification) as of the date hereof, and (b) will be true and complete in all material respects (except that all statements that are qualified as to Material Adverse Effect are true and complete in all respects, giving effect to such qualification) as of the French Offer Filing Date (except in each of cases (a) and (b) to the extent that any such representation and warranty is expressly made as of another date, in which case such representation and warranty shall be required to be so true and so correct only as of such other date).

Section 3.1 Organization, Good Standing and Qualification

The Company is an entity duly incorporated and validly existing under the Laws of its jurisdiction of organization. Each of the Company's Subsidiaries is an entity duly organized, validly existing and in good standing (where such concept is recognized under applicable Law) under the Laws of its respective jurisdiction of organization, except where the failure to be so organized, existing and in good standing when taken together with all other such failures, individually or in the aggregate, has not resulted and is not reasonably expected to result in a Material Adverse Effect with respect to the Company.

Section 3.2 Capitalization

As of March 31, 2015, the registered share capital of the Company consisted of 2 824 203 364 Company Shares, each with a par value of €0.05 per share. As of the same date, (i) the EUR 628 946 424 bonds convertible into new Company Shares or exchangeable for existing Company Shares due on January 1, 2018 were issued and outstanding; (ii) the EUR 688 425 000 bonds convertible into new Company Shares or exchangeable for existing Company Shares due on January 30, 2019 were issued and outstanding; (iii) the EUR 460 289 979.90 bonds convertible into new Company Shares or exchangeable for existing Company Shares due on January 30, 2020 were issued and outstanding. At the close of business on March 31, 2015: (a) 2 828 388 595 Company Shares were issued and outstanding, (b) 40 117 578 Company Shares were held in treasury (including Company Shares held by Subsidiaries), (c) 652 378 496 Company Shares may be issuable pursuant to the Company's conditional share capital (including as a result of the conversion or exchange of the OCEANEs) and (d) 117 121 859 Company Shares may be issuable pursuant to the Company Share Plans (including Company Share Options and Company Performance Shares). From the close of business on March 31, 2015 to the date of this MoU, there have been no issuances by the Company of shares or voting securities of, or other equity interests in, the Company except those resulting from the exercise of Company Share Options by beneficiaries with respect to current Company Share Plans.

Each of the outstanding shares or other equity interests in the Company are duly authorized, validly issued and fully paid. Except as set forth above or in accordance with the terms of the OCEANEs, as of March 31, 2015 there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company to issue or sell any shares of capital stock or other equity interests of the Company or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity interests of the Company and no securities or obligations evidencing such rights are authorized, issued or outstanding.

Each of the outstanding shares of capital stock or other equity interests in each of the Company's Subsidiaries that is held by the Company or by a direct or indirect Subsidiary of the Company is duly authorized, validly issued, fully paid and, to the extent applicable, non-assessable, except as has not resulted and is not reasonably expected to result in a Material Adverse Effect with respect to the Company, the Company or a direct or indirect Subsidiary of the Company has legal title to such outstanding shares or other equity interests. All shares of capital stock or other equity interests in each of the Company's Subsidiaries owned by the Company or by a direct or indirect Subsidiary of the Company are free and clear of any Lien, except as has not resulted and is not reasonably expected to result in a Material Adverse Effect with respect to the Company. Except as set forth above, as of March 31, 2015 there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company or any of its Subsidiaries to issue or sell any shares of capital stock or other equity interests of any of the Company's Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity interests of any of the Company's Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

Section 3.3 Corporate Authority

The Company has all requisite corporate power and authority and has taken all corporate action necessary in order to authorize, execute and perform its obligations under this MoU. Assuming that Nokia has validly and properly entered into this MoU, this MoU is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights.

Section 3.4 Non-contravention

Neither the execution by the Company of this MoU, the compliance by it with all of the provisions of and the performance by it of its obligations under this MoU, nor the consummation of the Offers, (i) will conflict with, or result in a breach or violation of, or result in any acceleration of any rights or obligations or the payment of any penalty under or the creation of a Lien on the assets of the Company or any of its Subsidiaries (with or without the giving of notice or the lapse of time or both) pursuant to, or permit any other party any right to terminate, accelerate or cancel, or otherwise constitute a default under, any provision of any material Contract, or result in any change in the rights or obligations of any party under any material Contract, in each case to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective assets is bound, (ii) will violate or conflict with any Permit issued to the Company or any of its Subsidiaries (assuming receipt by Nokia of all authorizations, consents, Permits and approvals required in connection with the Offers), or (iii) will violate or conflict in any material respect with the Organizational Documents of the Company or any of the Company's Subsidiaries, or (iv) will violate or conflict with any applicable Law, except (in the case of clauses (i) and (ii)) for such conflicts, breaches, violations, defaults, payments, accelerations, creations, permissions or changes that, individually or in the aggregate, have not resulted and are not reasonably expected to result in a Material Adverse Effect with respect to the Company.

Section 3.5 Required Consents

Other than (i) the Competition Approvals, (ii) the Regulatory Approvals, (iii) authorizations, waivers, consents, filings, registrations or approvals in connection with or in compliance with the AMF, the Securities Act and the Exchange Act, and (iv) such other authorizations, waivers, consents, filings, registrations or approvals that, if not obtained, made or given, individually or in the aggregate, are not reasonably expected to result in a Material Adverse Effect with respect to the Company, no authorizations, waivers, consents, filings, registrations or approvals are required to be made by the Company or any of its Subsidiaries with, or obtained by the Company or any of its Subsidiaries from any Relevant Authority, in connection with the performance by the Company of its obligations hereunder and the consummation of the Offers.

Section 3.6 Reports; Financial Statements; Internal Control and Disclosure Control

Since January 1, 2013, the Company Reports were, to the extent required under applicable Law, filed in a timely manner, and are in material compliance with all applicable Laws and other requirements applicable thereto. As of their respective dates (or if amended prior to the date hereof, as of the date of such amendment), the Company Reports which were required to be filed with any Relevant Authority complied in all material respects with the requirements under applicable Law regarding the accuracy and completeness of the disclosures contained therein.

All of the audited consolidated financial statements and unaudited consolidated interim financial statements of the Company and its consolidated Subsidiaries included in the Company Reports since January 1, 2013 (i) fairly present in all material respects the consolidated financial position and the results of operations, cash flows and changes in shareholders' equity of the Company and its consolidated Subsidiaries as of the dates and for the periods referred to therein and (ii) have been or will be, as the case may be, prepared in accordance with IFRS applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of interim financial statements, for normal year-end adjustments that are not material in amount or nature).

The Company maintains a system of accounting and internal controls effective to provide reasonable assurances regarding the reliability of the consolidated financial reporting and the preparation of the consolidated financial statements of the Company and its consolidated Subsidiaries in accordance in all material respects with IFRS and applicable Laws of France. Since January 1, 2013, the Company's principal executive officer and its principal financial officer have disclosed to Company's auditors and the audit committee of Company Board (i) all known "significant deficiencies" and "material weaknesses" in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect the Company's ability to record, process, summarize and report financial information, and (ii) any known fraud, whether or not material, that involves management or other employees of the Company who have a significant role in the Company's internal controls over financial reporting, and any such disclosures have been made available to Nokia, except to the extent such disclosures relate to matters that are not reasonably expected to result in a Material Adverse Effect with respect to the Company.

Section 3.7 Absence of Certain Changes

In the period between December 31, 2014 and the date hereof (i) the Company has conducted the business of the Company in the ordinary course in all material respects (except in connection with, or as a result of, the negotiations, execution and delivery of this MoU), and (ii) there has not been any change or developments that, individually or in the aggregate, has resulted or is reasonably expected to result in a Material Adverse Effect with respect to the Company.

Section 3.8 Litigation

There are no claims, actions, suits, proceedings or notified investigations pending or, to the knowledge of the Company, threatened in writing, against the Company or any of its Subsidiaries or affecting any of their material properties or assets, before or by any Relevant Authority, except those which are not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect with respect to the Company. Neither the Company nor any of its Subsidiaries nor any of the material assets of the Company or its Subsidiaries, to the knowledge of the Company, is subject to any outstanding order, writ, injunction or decree which would have, individually or in the aggregate, a Material Adverse Effect with respect to the Company.

Section 3.9 Intellectual Property

Neither the Company nor any of its Subsidiaries is party to any arrangement (such as an agreement, unilateral commitment, or other undertaking) with any Person that, on the date of this MoU or thereafter, as a result of the signing of this MoU or the consummation of the Offers or as a result of the Company becoming a Subsidiary of Nokia, would have or purport to have a binding effect on Nokia or any of its direct or indirect Subsidiaries (other than the Company and its pre-Completion Date Subsidiaries) or any of their respective Patents, and affect, due to its terms, Nokia's and its Subsidiaries' exploitation of their respective Patent portfolios, including in the Patent licensing business of Nokia and its Subsidiaries (excluding the Company and its pre-Completion Date Subsidiaries), except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to Nokia. Except as would not be reasonably expected to have a Material Adverse Effect with respect to Nokia or the Company, the Company and its Subsidiaries will, after the Completion Date, own or have a right to use the Intellectual Property used in their respective businesses, as currently used.

Section 3.10 Legal Compliance

Since December 31, 2013, the businesses of each of the Company and its Subsidiaries have not been, and are not being, conducted in violation of any Law (including the Sarbanes-Oxley Act, the Export Administration Regulations, the International Traffic in Arms Regulations and the Foreign Corrupt Practices Act of 1977, as amended), except for violations which would not be reasonably expected to have a Material Adverse Effect with respect to the Company. To the knowledge of the Company, the Company and each of its Subsidiaries (i) is not as of the date of this MoU and (ii) since December 31, 2013 have not been under investigation with respect to and have not been threatened to be charged with or been given notice of any violation of, any applicable Law or any agreement with any Relevant Authority, except in each of cases (i) and (ii) as would not be reasonably expected to have a Material Adverse Effect with respect to the Company.

Section 3.11 No Other Company Representations or Warranties

Except for the representations and warranties contained in this Article III, neither the Company nor any of its Subsidiaries makes any other express or implied representation or warranty on behalf of the Company or its Subsidiaries. The Company and its Subsidiaries disclaim any other representations or warranties, whether made by the Company or its Subsidiaries, or any of their respective officers, directors, employees, agents, advisors or representatives.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF NOKIA

Except as (i) set forth with reasonable specificity in the disclosure letter dated the date hereof delivered to the Company by Nokia (the "**Nokia Disclosure Letter**"), (ii) disclosed in any annual report on Form 20-F of Nokia, (iii) disclosed in any release, report, schedule, form, statement or other document published through NASDAQ OMX Helsinki Ltd. or filed with the Finnish Trade Register (*kaupparekisteri*) or the SEC, or (iv) disclosed in any investor communication disseminated via the

"Investors" or "News" sections of Nokia's website, in each case as issued, disseminated, published or filed on or prior to the date hereof and, in each of cases (ii), (iii) and (iv), only if such release, annual report, report, schedule, form, statement, other document, or communication, is publicly available on the date hereof on the "Investors" or "News" sections of the website of Nokia or on the website of NASDAQ OMX Helsinki Ltd. or the SEC or the Finnish Trade Register ((ii), (iii) and (iv), collectively, the "**Nokia Reports**") (other than disclosures relating to risk factors or any disclosure in any Nokia Report to the extent that such disclosure is predictive or forward-looking in nature, and provided that the relevant exception to such representation and warranty is reasonably apparent from such Nokia Report), Nokia hereby represents and warrants to the Company that all the statements contained in Section 4.1 to Section 4.9 (a) are true and complete in all material respects (except that all statements that are qualified as to Material Adverse Effect are true and complete in all respects, giving effect to such qualification) as of the date hereof, and (b) will be true and complete in all material respects (except that all statements that are qualified as to Material Adverse Effect are true and complete in all respects, giving effect to such qualification) as of the French Offer Filing Date (except in each of cases (a) and (b) to the extent that any such representation and warranty is expressly made as of another date, in which case such representation and warranty shall be required to be so true and so correct only as of such other date).

Section 4.1 Organization, Good Standing and Qualification

Nokia is an entity duly incorporated and validly existing under the Laws of its jurisdiction of organization. Each of Nokia's Subsidiaries is an entity duly organized, validly existing and in good standing (where such concept is recognized under applicable Law) under the Laws of its respective jurisdiction of organization, except where the failure to be so organized, existing and in good standing when taken together with all other such failures, individually or in the aggregate, has not resulted and is not reasonably expected to result in a Material Adverse Effect with respect to Nokia.

Section 4.2 Capitalization

As of March 31, 2015, the registered share capital of Nokia consisted of 3 678 181 547 Nokia Shares. As of the same date, €749 800 000 of bonds convertible into new Nokia Shares or exchangeable for existing Nokia Shares were issued and outstanding. At the close of business on March 31, 2015: (a) 3 678 181 547 Nokia Shares were issued and outstanding, (b) 53 057 453 Nokia Shares were held in treasury and (c) 307 295 082 Nokia Shares may be issuable pursuant to Nokia's conditional share capital (including as a result of the conversion or exchange of the convertible bonds). From the close of business on March 31, 2015 to the date of this MoU, there have been no issuances by Nokia of shares or voting securities of, or other equity interests in, Nokia except for issuances pursuant to the Nokia Share Plans.

Each of the outstanding shares or other equity interests in Nokia are duly authorized, validly issued and fully paid. Except as set forth above, as of March 31, 2015 there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate Nokia to issue or sell any shares of capital stock or other equity interests of Nokia or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity interests of Nokia and no securities or obligations evidencing such rights are authorized, issued or outstanding.

Each of the outstanding shares of capital stock or other equity interests in each of Nokia's Subsidiaries that is held by Nokia or by a direct or indirect Subsidiary of Nokia is duly authorized, validly issued, fully paid and, to the extent applicable, non-assessable, except as has not resulted and is not reasonably expected to result in a Material Adverse Effect with respect to Nokia, Nokia or a direct or indirect Subsidiary of Nokia has legal title to such outstanding shares or other equity interests. All shares of capital stock or other equity interests in each of Nokia's Subsidiaries owned by Nokia or by a direct or indirect Subsidiary of Nokia are free and clear of any Lien, except as has not resulted and is not reasonably expected to result in a Material Adverse Effect with respect to Nokia. Except as set forth above, as of March 31, 2015 there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate Nokia or any of its Subsidiaries to issue or sell any shares of capital stock or other equity interests of any of Nokia's Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any shares of capital stock or other equity interests of any of Nokia's Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding.

Section 4.3 Corporate Authority

Subject to the authorization by its shareholders for the issuance of the new Nokia Shares offered as consideration for the Company Securities, Nokia has all requisite corporate power and authority and has taken and, following the authorization by its shareholders for the issuance of the new Nokia Shares offered as consideration for the Company Securities, will take all corporate action necessary in order to authorize, execute and perform its obligations under this MoU. Assuming that the Company has validly and properly entered into this MoU, this MoU is a valid and binding agreement of Nokia, enforceable against Nokia in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights.

Section 4.4 Non-contravention

Neither the execution by Nokia of this MoU, the compliance by it with all of the provisions of and the performance by it of its obligations under this MoU, nor the consummation of the Offers, (i) will conflict with, or result in a breach or violation of, or result in any acceleration of any rights or obligations or the payment of any penalty under or the creation of a Lien on the assets of Nokia or any of its Subsidiaries (with or without the giving of notice or the lapse of time or both) pursuant to, or permit any other party any right to terminate, accelerate or cancel, or otherwise constitute a default under, any provision of any material Contract, or result in any change in the rights or obligations of any party under any material Contract, in each case to which Nokia or any of its Subsidiaries is a party or by which Nokia or any of its Subsidiaries or any of their respective assets is bound, (ii) will violate or conflict with any Permit issued to Nokia or any of its Subsidiaries (assuming receipt by the Company of all authorizations, consents, Permits and approvals required in connection with the Offers), or (iii) will violate or conflict in any material respect with the Organizational Documents of the Nokia or any of Nokia's Subsidiaries, or (iv) will violate or conflict with any applicable Law, except (in the case of clauses (i) and (ii)) for such conflicts, breaches, violations, defaults, payments, accelerations, creations, permissions or changes that, individually or in the aggregate, have not resulted and are not reasonably expected to result in a Material Adverse Effect with respect to Nokia.

Section 4.5 Required Consents

Other than (i) the Competition Approvals, (ii) the Regulatory Approvals, (iii) authorizations, waivers, consents, filings, registrations or approvals in connection with or in compliance with the AMF, the Securities Act and the Exchange Act, (vi) the approval of the Finnish listing prospectus by the FSA, (vii) the approval of the relevant resolutions related to the transaction submitted at the Nokia Shareholders' Meeting, (viii) the registration of the Nokia Shares offered as consideration for the Company Securities with the Finnish Trade Register, (ix) the entry of the Nokia Shares offered as consideration for the Company Securities in the Finnish book-entry securities system maintained by Euroclear Finland, (x) the approval of the Nokia Shares offered as consideration for the Company Securities for listing on each of NASDAQ OMX Helsinki Ltd. and the NYSE, (xi) the approval of the Nokia Shares for listing on Euronext Paris and (xii) such other authorizations, waivers, consents, filings, registrations or approvals that, if not obtained, made or given, individually or in the aggregate, are not reasonably expected to result in a Material Adverse Effect with respect to Nokia, no authorizations, waivers, consents, filings, registrations or approvals are required to be made by Nokia or any of its Subsidiaries with, or obtained by Nokia or any of its Subsidiaries from any Relevant Authority, in connection with the performance by Nokia of its obligations hereunder and the consummation of the Offers.

Section 4.6 <u>Reports; Financial Statements; Internal Control and Disclosure Control</u>

Since January 1, 2013, the Nokia Reports were, to the extent required under applicable Law, filed in a timely manner, and are in material compliance with all applicable Laws and other requirements applicable thereto. As of their respective dates (or if amended prior to the date hereof, as of the date of such amendment), the Nokia Reports which were required to be filed with any Relevant Authority complied in all material respects with the requirements under applicable Law regarding the accuracy and completeness of the disclosures contained therein.

All of the audited consolidated financial statements and unaudited consolidated interim financial statements of Nokia and its consolidated Subsidiaries included in the Nokia Reports since January 1, 2013 (i) fairly present in all material respects the consolidated financial position and the results of operations, cash flows and changes in shareholders' equity of Nokia and its consolidated Subsidiaries as of the dates and for the periods referred to therein and (ii) have been or will be, as the case may be, prepared in accordance with IFRS applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of interim financial statements, for normal year-end adjustments that are not material in amount or nature).

Nokia maintains a system of accounting and internal controls effective to provide reasonable assurances regarding the reliability of the consolidated financial reporting and the preparation of the consolidated financial statements of Nokia and its consolidated Subsidiaries in accordance in all material respects with IFRS and applicable Laws of Finland. Since January 1, 2013, Nokia's principal executive officer and its principal financial officer have disclosed to Nokia's auditors and the audit committee of the Nokia Board, (i) all known "significant deficiencies" and "material weaknesses" in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect Nokia's ability to record, process, summarize and report financial information and (ii) any known fraud, whether or not material, that involves management or other employees of Nokia who have a significant role in Nokia's internal controls over financial reporting, and any such disclosures have been made available to the Company, except to the extent such disclosures relate to matters that are not reasonably expected to result in a Material Adverse Effect with respect to the Nokia.

Section 4.7 <u>Absence of Certain Changes</u>

In the period between December 31, 2014 and the date hereof, (i) Nokia has conducted the business of Nokia in the ordinary course in all material respects (except in connection with, or as a result of, the negotiations, execution and delivery of this MoU), and (ii) there has not been any change or developments that, individually or in the aggregate has, resulted or is reasonably expected to result in a Material Adverse Effect with respect to Nokia.

Section 4.8 Litigation

There are no claims, actions, suits, proceedings or notified investigations pending or, to the knowledge of Nokia, threatened in writing, against Nokia or any of its Subsidiaries or affecting any of their material properties or assets, before or by any Relevant Authority, except those which are not reasonably likely to, individually or in the aggregate, have a Material Adverse Effect with respect to Nokia. Neither Nokia nor any of its Subsidiaries nor any of the material assets of Nokia or its Subsidiaries, to the knowledge of Nokia, is subject to any outstanding order, writ, injunction or decree which would have, individually or in the aggregate, a Material Adverse Effect with respect to Nokia.

Section 4.9 Legal Compliance

Since December 31, 2013, the businesses of each of Nokia and its Subsidiaries have not been, and are not being, conducted in violation of any Law (including the Sarbanes-Oxley Act, the Export Administration Regulations, the International Traffic in Arms Regulations and the Foreign Corrupt Practices Act of 1977, as amended), except for violations which would not be reasonably expected to have a Material Adverse Effect with respect to Nokia. To the knowledge of Nokia, Nokia and each of its Subsidiaries (i) is not as of the date of this MoU and (ii) since December 31, 2013, have not been under investigation with respect to and have not been threatened to be charged with or been given notice of any violation of, any applicable Law or any agreement with any Relevant Authority, except in each of cases (i) and (ii) as would not be reasonably expected to have a Material Adverse Effect with respect to Nokia.

Section 4.10 No Other Nokia Representations or Warranties

Except for the representations and warranties contained in this Article IV, neither Nokia nor any of its Subsidiaries makes any other express or implied representation or warranty on behalf of Nokia or its Subsidiaries. Nokia and its Subsidiaries disclaim any other representations or warranties, whether made by Nokia or its Subsidiaries, or any of their respective officers, directors, employees, agents, advisors or representatives.

ARTICLE V

WORKS COUNCIL AND REGULATORY AUTHORITIES

Section 5.1 Works Council Consultation

The Parties agree that the consultation with the works council (*Comité de groupe français*) of the Company and its French Subsidiaries (the "**Works Council**") concerning the Offers (the "**Consultation**") shall be initiated no later than two (2) Business Days as from the date of the Announcement as permitted by Article L. 2323-23-1 of the French Labor Code and conducted in accordance with Articles L. 2323-21 *et seq*. of the French Labor Code.

In the event the Company, prior to the end of the one (1) month consultation period provided for by the French Labor Code, believes that the Works Council is not in a position to express an opinion (*avis*) within this legal timeframe, the Company may, acting reasonably and following consultation with Nokia, extend the Works Council consultation period by no longer than two (2) additional months or any other period agreed by the Parties in writing. Any extension of the legal one (1) month consultation timeframe should be agreed upon between the Company and the Works Council in such a manner that the Consultation would deem to be completed even in the absence of any Works Council's opinion. The Consultation shall be deemed completed on the earlier of (i) the date that the Works Council issues an opinion (*avis*) with respect to the Consultation or (ii) the expiration of the legal one (1) month timeframe (or of any agreed extension of such one-month period in accordance with the provisions set forth above).

The Parties acknowledge that, pursuant to Article L. 2323-23-1 of the French Labor Code, in the event there is any significant change in the information presented to the Works Council between the Announcement and the French Offer Filing Date, in the reasonable opinion of the Parties, the Works Council's opinion will be deemed void (*caduc*). Accordingly, the Parties will promptly inform each other upon becoming aware of such a significant change and, if required by applicable Law, shall organize a new consultation in order to obtain a new opinion no later than the legal one-month timeframe. The new consultation shall also be governed by Article L.2323-21 *et seq*. of the French Labor Code.

Each Party shall use its reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable to allow the opinion of the Works Council to be given within the legal one (1) month timeframe, as extended in accordance with the provisions of this Section 5.1, as the case may be. The Company shall immediately inform Nokia of any Works Council's and the Works Council's expert's requests and positions of any kind and any timeframe agreed with the Works Council.

Nokia will provide to the Company the information listed in Annex 7 (*Works Council*) within two (2) Business Days after Announcement and shall provide, in a timely manner following receipt by Nokia of reasonable notice hereof, such additional information and assistance as the Company may reasonably request to allow the Company to comply with its obligations in relation to the Consultation, including by providing any information or responses reasonably requested by the Works Council in connection with the Consultation and in accordance with applicable Law. Nokia shall, at the request of the Company with reasonable notice, attend any meetings contemplated by applicable Law with the Works Council as part of the Consultation.

The Parties acknowledge that an expert may be appointed by the Works Council and each Party undertakes to use its reasonable efforts to cooperate with such expert, including by providing such expert with the information or document reasonably requested by the expert and as such expert reasonably deems necessary to comply with its duties under Article L. 2325-37 of the French Labor Code.

Nokia shall state to the Works Council its intentions or commitments, as the case may be, in relation to the obligations set forth in Annex 6 (*French Commitments*) which it has undertaken to comply with in connection with the Offers.

Following completion of the Consultation, the Company Board may decide to (i) proceed with the transactions contemplated by this MoU, in which case the Company shall issue the Company Support Statement not later than three (3) Business Days following the completion of the Consultation or (ii) not proceed with the transactions contemplated by this MoU and terminate this MoU pursuant to Section 8.2(f).

Section 5.2 Consents from Relevant Authorities

Nokia and the Company shall cooperate with each other and use (and shall cause their respective Subsidiaries to use) their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on their part under this MoU and applicable Laws to cause the conditions set forth in Article VII to be satisfied and to launch and complete the Offers as promptly as reasonably practicable, including by (i) subject to Section 5.4 and the timely provision by the Company to Nokia of all information necessary or appropriate for the preparation of such documentation, preparing and filing as promptly as practicable (and with respect to the Material Competition Approvals and the French Regulatory Approval, submitting an initial reasonably complete notification to the Relevant Authority no later than twenty (20) Business Days after the date of this MoU), and with respect to the Competition Approvals determined pursuant to the procedure set forth in Part II of Annex 4 (*Competition Approvals*), within twenty (20) Business Days of the completion of such procedure all documentation (including any additional documentation or information requested by any Relevant Authority in connection with the Offers) to effect all necessary or advisable notices, reports and other filings, and to obtain as promptly as practicable all Consents necessary or advisable to be obtained from any Relevant Authority in connection with the Offers, (ii) using their reasonable best efforts to resolve objections as may be asserted with respect to the Offers under any Laws, including the defending of any lawsuits or other legal proceedings, whether judicial or administrative or otherwise, challenging this MoU or the Offers, including seeking to have any stay or temporary restraining order or preliminary injunction (including any Restricting Law) entered by any court or Relevant Authority vacated or reversed, and (iii) the delivery of any additional instruments necessary to fully carry out the purposes of this MoU. Without limiting the foregoing, the Parties agree to use their respective reasonable best efforts to eliminate each and every impediment that may be asserted by any Relevant Authority with respect to the consummation of the Offers so as to enable the consummation of the Offers to occur as soon as reasonably practicable, including by: (a) in the case of either Party, not making any acquisitions of a business which can reasonably be expected to materially delay or materially increase the likelihood of not obtaining any Consent necessary or advisable to be obtained from any Relevant Authority in connection with the Offers (each, an "**Acquired Business**") and (b) in the case of Nokia, proposing or agreeing to (and implementing) any commitment, consent decree, hold separate order, sale, divestiture, lease, license, transfer, disposal, encumbrance, mitigation agreement and any other condition or operating restriction with respect to the businesses, product lines, assets, Permits, operations, rights or interest therein conducted by Nokia and, following the Completion Date, the Company and their respective Subsidiaries (each, a "**Restriction**"); provided that Nokia shall in no event be required pursuant to this Section 5.2 to propose or agree to any Restrictions (A) on its business other than an Acquired Business as it exists prior to the Completion Date (the "**Pre-Completion Nokia Business**") that, in the aggregate, would have an impact that is not insignificant to the Pre-Completion Nokia Business (but, for the avoidance of doubt, (1) no limitation applies with respect to Nokia's obligations to propose or agree to (and implement) any Restriction imposed on any Acquired Business of Nokia, (2) any mitigation or other agreement that requires Nokia to comply with terms substantially similar to obligations of the Company under its current National Security Agreement, as amended, with the U.S. government existing prior to the Completion Date shall be deemed to not have a significant impact for these purposes); (B) that are imposed by any Relevant Authority other than MOFCOM and that would have a Material Adverse Effect on the Company; (C) that are imposed by MOFCOM (i) on the Company or its Subsidiaries (other than ASB) outside of China that would have a Material Adverse Effect on the Company or (ii) that would result in the Company's interest in ASB not being delivered to Nokia at the Completion Date in all material respects; and (D) that are imposed by the French Ministry of Economy, provided that Nokia shall be required to propose or agree to Restrictions (including in respect of continued employment, maintenance in France of R&D facilities and industrial facilities, and specific undertakings with respect to critical infrastructures) that are commercially reasonable and that the French Ministry of Economy determines are necessary to preserve the national interests of France related to public order, public safety or national defense within the meaning of section L-151-3-II of the French monetary and financial code (*code monétaire et financier*), and for these purposes the indicative elements listed in Annex 6 (*French Commitments*) shall be deemed to be commercially reasonable.

Section 5.3 Other consents

The Parties shall use commercially reasonable best efforts to, as promptly as practicable following the date hereof, obtain such waivers, consents, approvals and authorizations pursuant to the terms of

Contracts to which the Company or any of its Subsidiaries is a party as is reasonably necessary or advisable in connection with the consummation of the Offers.

Section 5.4 Conduct of Process, Status Updates and Notice

Without limiting Section 5.2, prior to making any filing or other written communication with any Relevant Authority or the Independent Expert in connection with the transactions contemplated by this MoU each Party shall (i) provide a full copy of such filing or written communication to the other Party or its outside legal counsel; (ii) give the other Party or its outside legal counsel reasonable opportunity (taking into account the need to submit filings in a timely manner) to review and comment on such filing or written communication; and (iii) have reasonable regard to any such comments. Subject to applicable Laws, the provisions of the Confidentiality Agreement and the instructions of any Relevant Authority, Nokia and the Company each shall: (a) keep the other reasonably apprised of the status of matters relating to the completion of, and all discussions with the Relevant Authorities, any works council or the Independent Expert in respect of any filings or with third parties in respect of any required Consent, investigation, consultations or other inquiries in connection with, the transactions contemplated hereunder or the Independent Expert Report (in each case in a timely manner); and (b) give the other reasonable notice of, and the opportunity to participate in, all substantive telephone calls and all meetings with the Relevant Authorities or the Independent Expert in connection with the transactions contemplated by this MoU, and (c) give prompt notice to each other of any development or combination of developments that, individually or in the aggregate, is reasonably likely to prevent, materially delay or materially impair its ability to consummate the transactions contemplated by this MoU, including the failure of any condition precedent set forth in Article VII; provided, however, that no such notification shall affect the covenants or agreements of the Parties or the conditions to the obligations of the Parties under this MoU.

Nokia and the Company each shall, subject to applicable Laws and the protection of confidential information from third parties and the provisions of the Confidentiality Agreement, (i) keep each other fully and timely informed of the status and progress of any merger control filing effected by either Party in any jurisdiction with respect to transactions other than those contemplated by this MoU, (ii) consult each other prior to taking any decision in relation to such transactions if such decision is liable to impact or delay the obtaining of the Competition Approvals, and (iii) make available to each other all filings, including annexes and responses to questionnaires, that have been submitted in any such merger control proceedings that are or will be pending before the Completion Date, provided, however, information or materials containing commercially or competitively sensitive information or confidential information on valuation may be made available on an “outside counsel only” basis.

Section 5.5 Treatment of Sensitive/Privileged Information

The provisions of the Confidentiality Agreement shall apply to any information exchanged under this Article V. The Parties shall share information protected from disclosure under the attorney-client privilege, work product doctrine, joint defense privilege or any other privilege pursuant to this Article V in a manner so as to preserve the applicable privilege.

ARTICLE VI

ADDITIONAL COVENANTS

Section 6.1 Covenants of the Company

6.1.1 Conduct of business

The Company covenants and agrees that, after the date hereof and until the earlier of the Completion Date or the termination of this MoU in accordance with its terms (except (i) as otherwise expressly contemplated by this MoU, (ii) as required (or not permitted) by any Relevant Authority or applicable Law, (iii) with the written consent of Nokia (such consent not to be unreasonably withheld, delayed or conditioned), or (iv) as set forth in Section 6.1.1 of the Company Disclosure Letter), it shall conduct the business of the Company and its Subsidiaries in the ordinary course consistent with past practice and:

(a) (i) the Company shall not make any material amendment to its Organizational Documents; (ii) the Company shall not split, combine or reclassify its outstanding shares; (iii) the Company shall not declare, set aside or pay any type of dividend, whether payable in cash, share or property, in respect of any Company Shares, other than as permitted by this Section 6.1.1 with respect to ASN); and (iv) the Company shall not launch any repurchase program with respect to its shares not publicly announced as of the date hereof other than the ordinary course in connection with the exercise of or Tax withholdings on the vesting, settlement or payment, as applicable, under the Company Share Plans consistent with past practice;

(b) except as permitted pursuant to Section 6.1.1(d) or Section 6.1.1(e), the Company shall not and shall cause each of its Subsidiaries not to (i) issue, sell, or dispose of any shares of the Company or any of its Subsidiaries (other than Company Shares issued or delivered (x) pursuant to the Company Share Plans (y) pursuant to Section 2.5 of this MoU and Section 1.1 of the Disclosure Letter or (z) issued in exchange for early redemption at the option of the Company (*amortissement anticipé au gré de l'émetteur*) of any OCEANEs outstanding as of the date of this MoU in accordance with their terms) or (ii) pledge or create a Lien (other than, with respect to securities of its Subsidiaries, in connection with the incurrence of indebtedness in accordance with Section 6.1.1(c)), in each of cases (i) and (ii) with respect to (A) any shares of the Company or its Subsidiaries, (B) any securities convertible into or exchangeable or exercisable for shares of the Company or any of its Subsidiaries, (C) any options, warrants, calls, commitments or rights of any kind to acquire, shares of the Company or its Subsidiaries, or (D) any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the shareholders of the Company or its Subsidiaries on any matter, other than, in each of cases (i) and (ii) and with respect to securities of the Company's Subsidiaries only, in transactions between the Company and any of its Subsidiaries or transactions between Subsidiaries;

(c) the Company shall not and shall cause each of its Subsidiaries not to incur any long term indebtedness for borrowed money (including any guarantee of such indebtedness), other than (i) in the ordinary course of business consistent with past practice (including Refinancing of existing indebtedness (other than the Company's U.S.$300 million 6.5% senior notes due January 15, 2028 and the Company's U.S.$1 360 million 6.45% senior notes due March 15, 2029) at market terms); (ii) any incurrence of indebtedness (other than pursuant to any Refinancing) that is less than five hundred million euros (€500 000 000) in the aggregate; (iii) guarantees which guarantee the indebtedness of wholly owned Subsidiaries of the Company, provided that the underlying indebtedness so guaranteed was incurred otherwise in compliance with this Section 6.1.1(c); (iv) interest rate and cross-currency swaps on customary commercial terms consistent with past practice and not to exceed five hundred million euros (€500 000 000) of notional debt in the aggregate; (v) borrowings and repayments for working capital purposes consistent with past practice; (vi) indebtedness owing to the Company or any of its wholly-owned Subsidiaries; and (vii) any incurrence of indebtedness in connection with discounting of research tax credits (*credit d'impot recherché*) that is less than one hundred twenty million euros (€120 000 000) in the aggregate; provided that any such indebtedness referenced in clauses (i) or (ii) by its terms must either (A) be capable of being redeemed by the Company or its Subsidiaries at any time after the date two (2) years from the date of this MoU for an amount not to exceed 105% of par value of such indebtedness plus accrued and unpaid interest or (B) have a maturity date of no longer that three (3) years from the issuance date;

(d) the Company shall not and shall cause each of its Subsidiaries not to, in one or several transactions, transfer, exchange, swap or otherwise create a material Lien on or dispose (whether by way of merger, consolidation, sale of shares or assets, or otherwise) of any material portion of the consolidated assets of the Company, including shares of the Company's Subsidiaries, other than the sale of inventory or entry into revenue generating Patent licenses, in each case the ordinary course of business or any ASN Transfer, except for (i) transactions between the Company and any of its Subsidiaries or transactions between the Company's Subsidiaries, (ii) any disposals of Patents on commercially reasonable terms and at fair market value that in the aggregate do not exceed three hundred million euros (€300 000 000) or (iii) any other disposals (which may also include Patents) on commercially reasonable terms and at fair market value that both (x) individually do not exceed one hundred fifty million euros (€150 000 000) and (y) in the aggregate do not exceed three hundred million euros (€300 000 000), provided that the exceptions described in the foregoing clauses (i) and (ii) do not apply to any of the assets listed on Section 6.1.1(d) of the Company Disclosure Letter;

(e) the Company shall not and shall cause each of its Subsidiaries not to, in one or several transactions, acquire (whether by merger, consolidation, purchase or otherwise) any Person or assets, except for (i) transactions between the Company and any of its Subsidiaries or transactions between the Company's Subsidiaries or (ii) any acquisitions on commercially reasonable terms and at fair market value that both (x) individually do not exceed one hundred fifty million euros (€150 000 000) and (y) in the aggregate do not exceed three hundred million euros (€300 000 000);

(f) the Company shall not and shall cause each of its Subsidiaries not to (i) settle or agree to a compromise in respect of any material claims or litigation if such settlement or compromise would involve, individually, the payment of money by the Company or its Subsidiaries of one hundred million euros (€100 000 000) or more or would impose any material conduct requirement or restriction on the Company or its Subsidiaries or (ii) (A) modify, amend or terminate any of the Contracts listed in Section 6.1.1(f) of the Company Disclosure Letter where such modification, amendment or termination would adversely affect the Company or Nokia in any material respect, or (B) waive, release or assign any material rights or claims under any of the Contracts listed in Section 6.1.1(f) of the Company Disclosure Letter;

(g) the Company shall not and shall cause each of its Subsidiaries not to enter into any "non-compete" or similar Contract that would (i) restrict the business of Nokia and its Subsidiaries (other than the Company and its Subsidiaries) following the completion of the Offers or (ii) materially restrict the Company and its Subsidiaries;

(h) the Company shall not and shall cause each of its Subsidiaries not to abandon, fail to maintain or assign any material Intellectual Property, except in the ordinary course of business consistent with past practice or as part of a transaction permitted by Section 6.1.1(d) or Section 6.1.1(e);

(i) the Company shall not and shall cause each of its Subsidiaries not to enter into any material arrangement (such as an agreement, unilateral commitment, or other undertaking) with any Person that as a result of the signing of this MoU or consummation of the Offers or as a result of the Company becoming a Subsidiary of Nokia, would purport to have a binding effect on Nokia or any of its direct or indirect Subsidiaries (other than the Company and its pre-Completion Date Subsidiaries) or any of their respective Patents, except as would not reasonably be expected to have a material adverse effect on Nokia's, or its Subsidiaries', exploitation of their respective Patent portfolios, including in the Patent licensing business of Nokia and its Subsidiaries (excluding the Company and its Subsidiaries); and

(j) the Company shall not and shall cause each of its Subsidiaries not to authorize or enter into an agreement to do any of the foregoing set forth in Sections 6.1.1(a) through (i) if the Company or such Subsidiary would be prohibited by the terms of Sections 6.1.1(a) through (i) from doing the foregoing;

provided that (i) nothing in this Section 6.1.1 shall restrict the Company's ability to sell, dispose, spin-off or distribute to its shareholders or otherwise transfer all or part of its interest in ASN, provided that such sale, disposition, spin-off, distribution or transfer of all or part of its interest in ASN occurs on commercially reasonable terms and subject to any required adjustment to the Exchange Ratio in accordance with Section 2.4.1 (the "**ASN Transfer**"); and (ii) the termination of any Contract or any loss of business from a customer shall not in and of itself constitute a breach of this Section 6.1.1 (it being understood that the foregoing clause (ii) does not limit the Company's obligations under this Section 6.1.1).

Nokia shall, promptly following the date of this MoU, designate two (2) or more individuals from either of whom the Company may seek approval to undertake any actions (or inaction) under this Section 6.1.1 (it being understood that any such request shall not be considered an admission that Nokia's consent is required under this MoU) and will ensure that such individuals will respond on behalf of Nokia, to the Company's written requests in an expeditious manner (e-mail being sufficient). Nokia agrees that, if no disapproval of any such written request (sent to all designated individuals) from the Company is made in writing (e-mail being sufficient) within four (4) Business Days of the date on which notice of such request is received by such individuals, then Nokia will be deemed to have provided its approval to such request for all purposes of this Section 6.1.1.

6.1.2 Alternate Proposal

(a) From and after the date hereof until the earlier of the Completion Date or the termination of this MoU in accordance with its terms, the Company shall not and shall cause its Subsidiaries not to and shall use its reasonable best efforts to cause its and its Subsidiaries' senior officers, directors or representatives (including any investment banker, financial advisor, attorney, accountant or other advisor retained by it or any of its Subsidiaries) not to, directly or indirectly, in any manner whatsoever (i) initiate, solicit, induce, or take any action with a view to facilitate or encourage, any inquiries, proposals or offers that constitute, or would reasonably be expected to lead to, an Alternate Proposal, (ii) engage or otherwise participate in any discussions or negotiations (including by way of furnishing non-public information or granting access to any of the properties or assets of the Company or its Subsidiaries) with any Person relating to any inquiries, proposals or offers that constitute, or would reasonably be expected to lead to, an Alternate Proposal, (iii) accept, approve, endorse or recommend any Alternate Proposal, (iv) approve or recommend or execute or enter into, any letter of intent, agreement in principle, memorandum of understanding, tender offer agreement, merger agreement, acquisition agreement, business combination agreement, joint venture agreement, option agreement or other similar agreement in respect of any Alternate Proposal (any of the preceding in this sub-clause (iv), an "**Alternate Proposal Agreement**") or (v) propose publicly or agree to do any of the foregoing related to any Alternate Proposal.

(b) From and after the date hereof until the earlier of the Completion Date or the termination of this MoU in accordance with its terms, the Company shall promptly (and in any event within twenty four (24) hours) after becoming aware of a receipt by the Company, any of its Subsidiaries or any of their respective senior officers, directors or representatives of an Alternate Proposal or of any request for non-public information or inquiry relating to the Company or its Subsidiaries by any Person or a group of Persons who has or would reasonably be expected to make any Alternate Proposal, provide Nokia with written notice of the terms and conditions of such Alternate Proposal, request or inquiry (including in each case any subsequent developments or modifications thereof), and the identity of the Person or Persons (and if known to the Company, its or their ultimate beneficiary owners) making any such Alternate Proposal, request or inquiry. Thereafter, the Company shall promptly provide Nokia with written notice setting forth all such information as is reasonably necessary to keep Nokia informed of any material development, of the status and details (including amendments or proposed amendments) of any such Alternate Proposal, request or inquiry (including any actions or discussions that may take place in accordance with Section 6.1.2(c)).

(c) Notwithstanding anything in this MoU to the contrary, if at any time the Company receives (other than as a result of a breach by the Company of Section 6.1.2(a)) any bona fide written Alternate Proposal or any written request for non-public information or inquiry relating to the Company or its Subsidiaries by any Person or group of Persons who has or is expected to make any bona fide written Alternate Proposal, in each case that the Company Board determines in good faith constitutes or is reasonably likely to lead to a Superior Proposal, the Company may, subject to compliance with its obligations under this Section 6.1.2, engage in any of the actions referred to in Section 6.1.2(a)(ii), provided that (i) the Person or group of Persons making such Alternate Proposal or request, as applicable, for non-public information or inquiry has signed a confidentiality agreement with the Company on terms not less restrictive in any material respect on such Person or group of Persons than the Confidentiality Agreement containing (A) no exclusivity provision or provision (unless waived by such Person) inconsistent with the terms of this Section 6.1.2 and (B) a standstill provision of a duration of at least one (1) year (subject to customary exceptions), and (ii) all information which is provided to such Person or group of Persons but was not previously provided to Nokia shall be provided to Nokia as promptly as practicable (and in any event within twenty four (24) hours).

(d) Except as set forth in this Section 6.1.2(d), the Company (through the Chief Executive Officer or the Chairman of the Company Board) or Company Board shall not make a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation. The Parties agree that a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation effected in accordance with this Section 6.1.2(d) shall not in and of itself constitute a breach of this MoU. Notwithstanding the first sentence of this Section 6.1.2(d) or anything else to the contrary in this MoU, the Company (through the Chief Executive Officer or the Chairman of the Company Board) or Company Board may:

(i) make a Change in Company Announcement Statement immediately after the completion of the Consultation in accordance with the last paragraph of Section 5.1;

(ii) at any time make a Change in Company Announcement Statement, a Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in response to the receipt of any bona fide written Alternate Proposal (received by the Company not in violation of Section 6.1.2(a)) that the Company Board determines in good faith constitutes a Superior Proposal. Unless such Superior Proposal is in the form of a formal offer filed and cleared with the AMF, prior to the Company Board making a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation pursuant to this Section 6.1.2(d)(ii), the Company shall send a written notice to Nokia that the Company intends, in accordance with the terms of this Section 6.1.2(d)(ii), to take such action, which notice shall include all material information relating to such Alternate Proposal (including the identity of the third party, the proposed transaction structure and financing, if any, and other material terms and conditions). Upon receipt of such notice by Nokia, the Company shall, upon the request of Nokia in its sole discretion, negotiate in good faith with Nokia during a period of five (5) Business Days from the date on which Nokia received such notice with respect to any changes to the terms of this MoU or the Offers irrevocably offered by Nokia. If the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute), after giving effect to such changes as are irrevocably offered by Nokia, that such Alternate Proposal (i) continues to constitute a Superior Proposal and (ii) the failure to make a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in response to such Superior Proposal would be inconsistent with its fiduciary duties under applicable Law, then the Company may make a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in response to such Superior Proposal and may terminate this MoU pursuant to Section 8.2(e). In the event the Company Board determines that such Alternate Proposal no longer constitutes a Superior Proposal, then the Company shall thereafter, with respect to such Alternate Proposal, be subject to the provisions of Section 6.1.2(a) and Section 6.1.2(b) in all respects;

(iii) at any time prior to the French Offer Filing Date, make a Change in Company Announcement Statement, a Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in response to a Company Intervening Event, if the Company Board determines in good faith that its failure to do so would be inconsistent with its fiduciary duties under applicable Law, after giving effect to such changes as are offered by Nokia within ten (10) Business Days after receiving the notice thereof pursuant to this Section 6.1.2(d)(iii) to address such Company Intervening Event. Prior to the Company Board making a Change in Company Announcement Statement, a Change in Company Support Statement or a Change in Company Board Recommendation pursuant to this Section 6.1.2(d)(iii), the Company shall send a written notice to Nokia that the Company intends, in accordance with the terms of this Section 6.1.2(d)(iii), to take such action, which notice shall include all material information relating to such Company Intervening Event. Upon receipt of such notice by Nokia, the Company shall, upon the request of Nokia in its sole discretion, negotiate in good faith with Nokia during a period of ten (10) Business Days from the date on which Nokia received such notice with respect to any changes to the terms of this MoU or the Offers irrevocably offered by Nokia. If the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute), after giving effect to such changes as are irrevocably offered by Nokia, that its failure to make a Change in Company Announcement Statement, a Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in connection with such Company Intervening Event continues to be inconsistent with its fiduciary duties under applicable Law, then the Company may make a Change in Company Announcement Statement, a Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in connection with such Company Intervening Event; and

(iv) at any time after the French Offer Filing Date and following reasonable notice to Nokia, make a Change in Company Announcement Statement, a Change in Company Support Statement or a Change in Company Board Recommendation, as applicable, in response to a Material Adverse Effect with respect to Nokia, if the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) that its failure to do so would be inconsistent with its fiduciary duties under applicable Law.

(e) The Company shall (and shall cause its Subsidiaries), and shall use its reasonable best efforts to cause its and its Subsidiaries' senior officers, directors and representatives (including any investment banker, financial advisor, attorney, accountant or other advisor retained by it or any of its Subsidiaries), to immediately cease and cause to be terminated any activities, discussions or negotiations existing as of the date of this MoU with any Person conducted heretofore with respect or relating to any Alternate Proposal. The Company shall promptly inform its Subsidiaries and its and its Subsidiaries' senior officers, directors and representatives of the obligations undertaken in this Section 6.1.2.

(f) Nothing contained in this MoU shall prohibit the Company or the Company Board from (i) disclosing to the shareholders of the Company a position contemplated by Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act, or any substantially similar communication in connection with any Alternate Proposal that is not a tender offer, or (ii) making any disclosure to its shareholders if the Company or the Company Board has reasonably determined in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) that the failure to do so would be inconsistent with its duties under applicable Law, including the AMF General Regulation, the NYSE rules or regulations or the SEC rules and regulations. It is understood and agreed that, for purposes of this MoU, a factually accurate public statement by the Company that describes the Company's receipt of an Alternate Proposal and the operation of this MoU with respect thereto, or any "stop, look and listen" communication by the Company Board, shall not constitute a breach of Section 6.1.2(a).

6.1.3 Access

Subject to applicable Laws and the terms of the Confidentiality Agreement, upon the reasonable request of Nokia, the Company shall (and shall cause its Subsidiaries to) use its commercially reasonable efforts to provide Nokia's directors, officers, employees and other authorized representatives (i) such information of the Company and its Subsidiaries, other than commercially sensitive information, as is reasonably necessary to facilitate the Company's integration planning and operational transition planning efforts, (ii) with such financial and operating data and other data relating to the Company, other than commercially sensitive information, as Nokia may from time to time reasonably request and (iii) such access to the Company's officers, directors and employees as Nokia may from time to time reasonably request. No information provided pursuant to this Section 6.1.3 shall affect or be deemed to modify any representation or warranty made by the Company. All such information shall be governed by the terms of the Confidentiality Agreement.

Section 6.2 Covenants of Nokia

6.2.1 Conduct of business

Nokia covenants and agrees that, after the date hereof and until the earlier of the Completion Date or the termination of this MoU in accordance with its terms (except (i) as otherwise expressly contemplated by this MoU, (ii) as required (or not permitted) by any Relevant Authority or applicable Law, (iii) with the written consent of the Company (such consent not to be unreasonably withheld, delayed or conditioned) or (iv) as set forth in Section 6.2.1 of the Nokia Disclosure Letter), it shall conduct the business of Nokia and its Subsidiaries in the ordinary course consistent with past practice and:

(a) (i) Nokia shall not make any material amendment to its Organizational Documents; (ii) Nokia shall not split, combine or reclassify its outstanding shares; (iii) Nokia shall not declare, set aside or pay any type of dividend, whether payable in cash, share or property, in respect of any share, other than Permitted Nokia Dividend or any other cash dividends payable by Nokia in the ordinary course of business consistent with past practices (except that Nokia may pay a special cash dividend in an amount of up to one billion euros (€1 000 000 000)) and (iv) Nokia shall not launch any repurchase program with respect to its shares not publicly announced as of the date hereof, other than (a) any share repurchase program that may be adopted by Nokia after the date of this MoU in the ordinary course of business and consistent with past practices, provided that such share repurchases do not exceed one hundred fifty million euros (€150 000 000) per quarter in the aggregate, and (b) in the ordinary course in connection with the exercise of or Tax withholdings on the vesting, settlement or payment, as applicable, under Nokia Share Plans consistent with past practice;

(b) except as permitted pursuant to Section 6.2.1(d) or Section 6.2.1(e), Nokia shall not and shall cause each of its Subsidiaries not to, (i) issue, sell or dispose of any shares of Nokia or any of its Subsidiaries (other than (1) Nokia Shares issued or transferred pursuant to the Nokia Share Plans in accordance with the applicable award agreement and Nokia Share Plans or (2) Nokia Shares issued or transferred in exchange for conversion of any bonds outstanding on the date of this MoU convertible into new Nokia Shares or exchangeable for existing Nokia shares in accordance with the terms thereof) or (ii) pledge or create a Lien (other than, with respect to securities of its Subsidiaries, in connection with the incurrence of indebtedness), in each of cases (i) and (ii) with respect to (A) any shares of Nokia or its Subsidiaries, (B) any securities convertible into or exchangeable or exercisable for shares of Nokia or any of its Subsidiaries, (C) any options, warrants, calls, commitments or rights of any kind to acquire, shares of Nokia or its Subsidiaries, or (D) any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the shareholders of Nokia or its Subsidiaries on any matter, other than (x) in each of cases (i) and (ii) and with respect to securities of Nokia's Subsidiaries only, in transactions between Nokia and any of its Subsidiaries or transactions between Subsidiaries and (y) in case of (i) only, any redemption by Nokia of any bonds outstanding on the date of this MoU convertible into new Nokia Shares or exchangeable for existing Nokia shares in accordance with the terms thereof;

(c) Nokia shall not and shall cause each of its Subsidiaries not to incur any long term indebtedness for borrowed money (including any guarantee of such indebtedness), other than (i) in the ordinary course of business consistent with past practice (including the Refinancing of existing indebtedness at market terms); (ii) any incurrence of indebtedness (other than pursuant to any Refinancing) that is less than one billion five hundred million euros (€1 500 000 000) in the aggregate; (iii) guarantees which guarantee the indebtedness of wholly owned Subsidiaries of Nokia, provided that the underlying indebtedness so guaranteed was incurred otherwise in compliance with this Section 6.2.1(c); (iv) interest rate swaps on customary commercial terms consistent with past practice and not to exceed one billion five hundred million euros (€1 500 000 000) of notional debt in the aggregate; (v) borrowings and repayments for working capital purposes consistent with past practice; and (vi) indebtedness owing to Nokia or any of its wholly-owned Subsidiaries;

(d) Nokia shall not and shall cause each of its Subsidiaries not to, in one or several transactions, transfer, exchange, swap or otherwise create a material Lien on or dispose (whether by way of merger, consolidation, sale of shares or assets, or otherwise) of any material portion of the consolidated assets of Nokia, including shares of Nokia's Subsidiaries, other than the sale of inventory or entry into of revenue generating Patent licenses in each case in the ordinary course of business, except for (i) transactions between Nokia and any of its Subsidiaries or transactions between Nokia's Subsidiaries, (ii) any disposals of Patents on commercially reasonable terms and at fair market value that in the aggregate do not exceed six hundred million euros (€600 000 000) or (iii) any other disposals (other than Patents) on commercially reasonable terms and at fair market value that both (x) individually do not exceed four hundred fifty million euros (€450 000 000) and (y) in the aggregate do not exceed seven hundred fifty million euros (€750 000 000);

(e) Nokia shall not and shall cause each of its Subsidiaries not to, in one or several transactions, acquire (whether by merger, consolidation, purchase or otherwise) any Person or assets, except for (i) transactions between Nokia and any of its Subsidiaries or transactions between Nokia's Subsidiaries or (ii) any acquisitions on commercially reasonable terms and at fair market value that both (x) individually do not exceed four hundred fifty million euros (€450 000 000) and (y) in the aggregate do not exceed seven hundred fifty million euros (€750 000 000); and

(f) Nokia shall not and shall cause each of its Subsidiaries not to authorize or enter into an agreement to do any of the foregoing set forth in Sections 6.2.1(a) through (e) if Nokia or such Subsidiary would be prohibited by the terms of Sections 6.2.1(a) through (e) from doing the foregoing;

provided that the termination of any Contract or any loss of business from a customer shall not in and of itself constitute a breach of this Section 6.2.1 (it being understood that the foregoing does not limit Nokia's obligations under this Section 6.2.1).

The Company shall, promptly following the date of this MoU, designate two (2) or more individuals from either of whom Nokia may seek approval to undertake any actions (or inaction) under this Section 6.2.1 (it being understood that any such request shall not be considered an admission that the Company's consent is required under this MoU) and will ensure that such individuals will respond on behalf of the Company, to Nokia's written requests in an expeditious manner (e-mail being sufficient). The Company agrees that, if no disapproval of any such written request (sent to all designated individuals) from Nokia is made in writing (e-mail being sufficient) within four (4) Business Days of the date on which notice of such request is received by such individuals, then the Company will be deemed to have provided its approval to such request for all purposes of this Section 6.2.1.

6.2.2 Shareholders' Meeting of Nokia

Nokia shall take, in accordance with applicable Law and its Organizational Documents and subject to the terms and conditions of this MoU, all action necessary to convene an extraordinary meeting of its shareholders (the "**Nokia Shareholders' Meeting**") for purposes of (i) the approval of the authorization for the Nokia Board to issue such number of new Nokia Shares as may be necessary for delivering the Nokia Shares offered in consideration for the Company Securities tendered into the Offers (or exchanged thereafter pursuant to 2.4.1) in accordance with the Offer Exchange Ratio (as it may be adjusted from time to time in accordance with the terms of this MoU) and for the consummation of the Offers (collectively, the "**Nokia Shareholder Approval**"), and (ii) the appointment of the members of the Nokia Board identified in accordance with the provisions of Annex 3 (*Governance*), in each case of (i) and (ii) subject to the consummation of the Offers.

Nokia shall circulate the notice of the Nokia Shareholders' Meeting no later than two (2) Business Days, and shall cause the Nokia Shareholders' Meeting to occur as soon as practicable (and consistent with the process and timing of past Nokia practices), following receipt of all Regulatory Approvals and Material Competition Approvals.

6.2.3 Board Meeting of Nokia

At the time it convenes or holds the Nokia Shareholders' Meeting, the Nokia Board shall reiterate the Nokia Board Recommendation. Except as set forth in this Section 6.2.3, the Nokia Board shall not make a Change in Nokia Board Recommendation. Notwithstanding the foregoing or anything else to the contrary in this MoU, at any time prior to obtaining the Nokia Shareholder Approval, the Nokia Board may make a Change in Nokia Board Recommendation in response to a Nokia Intervening Event if it determines in good faith that its failure to do so would be inconsistent with its fiduciary duties under applicable Law, after giving effect to such changes as are offered by the Company within ten (10) Business Days after receiving the notice thereof pursuant to this Section 6.2.3 to address such Nokia Intervening Event. Prior to the Nokia Board making a Change in Nokia Board Recommendation pursuant to this Section 6.2.3, Nokia shall send a written notice to the Company that Nokia intends, in accordance with the terms of this Section 6.2.3, to take such action, which notice shall include all material information relating to such Intervening Event. Upon receipt of such notice by the Company, Nokia shall, upon the request of the Company in its sole discretion, negotiate in good faith with the Company during a period of ten (10) Business Days from the date on which the Company received such notice with respect to any changes to the terms of this MoU or the Offers irrevocably offered by the Company. If the Nokia Board determines in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute), after giving effect to such changes as are irrevocably offered by the Company, that its failure to make a Change in Nokia Board Recommendation in connection with such Nokia Intervening Event continues to be inconsistent with its fiduciary duties under applicable Law, then Nokia may make a Change in Nokia Board Recommendation in connection with such Nokia Intervening Event.

Nothing contained in this MoU shall prohibit Nokia or the Nokia Board from making any disclosure to shareholders of Nokia if Nokia or the Nokia Board has reasonably determined in good faith (after consultation with its outside legal counsel and financial advisors in each case of international repute) that the failure to do so would be inconsistent with its duties under applicable Law, including the AMF General Regulation or the FSA regulations or NASDAQ OMX Helsinki Ltd., the NYSE or the SEC rules and regulations.

As soon as practicable after the AMF has announced the successful results of the French Offer taking into account the successful results of the U.S. Offer by the AMF or, as applicable the result of the reopened Offers, the Nokia Board shall resolve on the issuance of new Nokia Shares pursuant to the authorization granted by the Nokia Shareholders' Meeting and approve the relevant share subscriptions in such an amount as is necessary for delivering the Nokia Shares offered in consideration for the Company Securities tendered into the Offers in accordance with the Offer Exchange Ratio.

6.2.4 Registration and Listing of New Nokia Shares

Nokia shall cause the new Nokia Shares and ADSs, as applicable, to be issued to the holders of Company Securities under the Offers to be registered in the Finnish Trade Register, to be entered into the Finnish book-entry securities system maintained by Euroclear Finland and to be approved for listing on NASDAQ OMX Helsinki Ltd., Euronext Paris and the NYSE on or as soon as practically possible after the Completion Date.

6.2.5 Insurance

For six (6) years following the Completion Date and notwithstanding any termination of this MoU, Nokia shall cause the Company, or any of their respective Subsidiaries, as the case may be, to the extent permitted under applicable Law, to: (i) indemnify and hold harmless, against any costs or expenses (including attorneys' fees and expenses and disbursements), judgments, fines, losses, claims, damages or liabilities incurred in connection with any legal proceeding (whether formal or informal), and provide advancement of expenses to, all past and present directors and senior officers of the Company (in all of their capacities) on terms not less favorable to such director or senior officer than those provided to him by the Company or its Subsidiaries on the date of this MoU; and (ii) include and cause to be maintained in effect in the Company's (or any successor's) Organizational Documents for a period of six (6) years after the Completion Date, provisions regarding elimination of liability of directors, indemnification of senior officers and directors, and advancement of expenses to officers and directors that are at least as favorable as those contained in the Company's Organizational Documents on the date of this MoU. If the Company or any of its successors or assigns shall: (x) consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger; or (y) transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then and in each such case, to the extent necessary, proper provisions shall be made so that the successors and assigns of the Company shall assume all of the obligations set forth in this Section 6.2.5.

The provisions of the immediately preceding paragraph shall be deemed satisfied if the Company or Nokia, at or prior to the Completion Date, purchase a six (6) year "tail" prepaid policy on the terms and conditions not less favorable to the director or senior officer than the existing directors' and officers' liability (and fiduciary) insurance maintained by the Company from insurance carriers with comparable credit ratings, covering, without limitation, this MoU and the transactions contemplated by this MoU. Nokia shall, or shall cause the Company or any successor or assign, to maintain such policy in full force and effect and continue to honor the obligations thereunder.

Nothing in this MoU is intended to, shall be construed to or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of its Subsidiaries for any of their respective directors, officers or other employees, it being understood and agreed that the indemnification provided for in this Section 6.2.5 is not prior to or in substitution for any such claims under such policies.

This covenant is intended to be for the benefit of, and shall be enforceable by, each of the past and present directors and senior officers of the Company (in all of their capacities) and their respective heirs and legal representatives. The rights to indemnification and advancement and the other rights provided for herein shall not be deemed exclusive of any other rights to which such Person is entitled, whether pursuant to Law, Contract or otherwise.

Section 6.3 Covenants of Nokia and the Company

6.3.1 Publicity

Unless otherwise required under applicable Law, each Party shall consult with the other before issuing any press release or public statement with respect to the transactions contemplated by this MoU and shall not issue any such press release or public statement prior to such consultation. In addition to the foregoing, except to the extent disclosed in or consistent with the Offer Documents or required under applicable Law, neither the Company nor Nokia shall issue any press release or otherwise make any public statement or disclosure concerning the other Party or the other Party's business, financial condition or results of operations, to the extent not previously disclosed, without the prior written consent of the other Party (such consent not to be unreasonably withheld, delayed or conditioned).

6.3.2 Transaction Committee

Promptly after the date hereof, each of the Parties shall appoint one or more of its representatives to a joint committee (the "**Transaction Committee**") which shall consist of at least one (1) senior representative of Nokia and one (1) senior representative of the Company, with each Party being entitled to appoint an equal number of representatives. The Transaction Committee shall (unless the Parties agree otherwise) meet on a weekly basis (in person or by telephone) in the period between the date hereof and the Completion Date. Either Party shall have the right, at its discretion and at any time, remove, replace or add its representatives to the Transaction Committee (as long as there is at least one (1) senior representative of each Party serving on the Transaction Committee at all times). For the avoidance of doubt, this Section 6.3.2 does not give and shall not be construed so as to give, the Transaction Committee any power to participate in or influence the management of the Company or any of its Subsidiaries prior to the Completion Date. The Transaction Committee will, subject to applicable Law, coordinate the Parties' efforts with respect to the transactions contemplated by this MoU, including by coordinating:

(a) regularly review the Parties' dealings with Relevant Authorities in connection with the Offers, including the progress of any filings, investigation, consultations or other inquiry by a Relevant Authority or any Competition Approvals, Regulatory Approvals, works council or material developments in discussions with third parties with respect to any Consent or Consultation in connection with the transactions contemplated by this MoU;

(b) communication between the Parties in relation to any questions arising under this MoU;

(c) the legal compliance efforts of the Parties; and

(d) any other actions reasonably proposed by either Party in connection with the Offers.

6.3.3 Further Assurances

Except to the extent prohibited under applicable Law or contrary to the requirements of any Relevant Authority, and subject to Section 5.2 and Section 5.3 above, Nokia and the Company shall use their respective reasonable best efforts to take or cause to be taken, on or after the date of this MoU, all actions reasonably necessary or desirable in furtherance of the provisions of this MoU. At Nokia's request, the Company shall cooperate with Nokia and use its reasonable best efforts to obtain any Consent that Nokia determines to be necessary or appropriate for the operation of the business of Nokia or the Company after the Completion Date.

6.3.4 Transaction Litigation

To the extent permitted under applicable Law, each Party shall consult with the other Party with respect to the defense or settlement of any shareholder litigation against either Party or their respective officers or directors relating to the Offers (including in particular in the event the AMF clearance (*décision de conformité*) of the French Offer is challenged by a shareholder), and neither Party shall agree to a settlement of any such litigation without the prior written consent of the other Party (such consent not to be unreasonably withheld, delayed or conditioned).

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1 Conditions to Each Party's Obligations to be Satisfied on or Before the French Offer Filing Date

The respective obligations of each Party set forth in this MoU that by their terms occur on or after the French Offer Filing Date, including Nokia's obligation to make the filing of the Offers and the corresponding filing obligations of the Company are subject to the satisfaction or, to the extent permitted under applicable Law, written mutual waiver by both Parties (each in its sole discretion) prior to the French Offer Filing Date, of each of the following conditions precedent:

7.1.1 No Injunctions or Restraints

No Relevant Authority of competent jurisdiction shall have enacted, issued, promulgated or granted any Law which is in effect immediately prior to the French Offer Filing Date and makes illegal, restrains, enjoins or otherwise prohibits making the Offers (each such Law, a "**Restricting Law**").

7.1.2 Competition and Regulatory Approvals

(a) The Material Competition Approvals shall have been granted (or relevant waiting periods shall have expired).

(b) The Regulatory Approvals shall have been granted.

Section 7.2 Additional Conditions to Nokia's Obligations to be Satisfied on or Before the French Offer Filing Date

The obligations of Nokia set forth in this MoU that by their terms occur on or after the French Offer Filing Date, including Nokia's obligation to make the filing of the Offers, are subject to the satisfaction or, to the extent permitted under applicable Law, waiver (in Nokia's sole discretion and in writing) prior to the French Offer Filing Date, of each of the following additional conditions precedent:

7.2.1 Representations and Warranties of the Company

The representations and warranties of the Company set forth in Section 3.2 shall be true and complete in all material respects as of the date of this MoU and as of the French Offer Filing Date. All other representations and warranties of the Company set forth in Article III that are qualified as to Material Adverse Effect shall be true and complete in all respects and each such representation or warranty that is not so qualified shall be true and complete except for such failures to be so true and complete that would not reasonably be expected to result in a Material Adverse Effect with respect to the Company, in each case as of the date of this MoU and the French Offer Filing Date.

7.2.2 Performance of Covenants and Obligations by the Company

The Company has, in all material respects, performed and complied with all material covenants and obligations required to be performed or complied with by it under this MoU at or prior to the French Offer Filing Date.

7.2.3 Company Board Recommendation

The Company Board shall have issued the Company Board Recommendation and, as of the French Offer Filing Date, shall not have made a Change in Company Board Recommendation.

7.2.4 No Material Adverse Effect

After the date of this MoU there shall not have occurred a Material Adverse Effect with respect to the Company which is continuing immediately prior to the French Offer Filing Date.

Section 7.3 Additional Conditions to the Company's Obligations to be Satisfied on or Before the French Offer Filing Date

The obligations of the Company set forth in this MoU that by their terms occur on or after the French Offer Filing Date, including Company's filing obligations in connection with the Offers, are subject to the satisfaction or, to the extent permitted under applicable Law, waiver (in the Company's sole discretion and in writing) prior to the French Offer Filing Date, of each of the following additional conditions precedent:

7.3.1 Representations and Warranties of Nokia

The representations and warranties of Nokia set forth in Section 4.2 shall be true and complete in all material respects as of the date of this MoU and as of the French Offer Filing Date. All other representations and warranties of Nokia set forth in Article IV that are qualified as to Material Adverse Effect shall be true and complete in all respects and each such representation or warranty that is not so qualified shall be true and complete except for such failures to be so true and complete that would not reasonably be expected to result in a Material Adverse Effect with respect to Nokia, in each case as of the date of this MoU and the French Offer Filing Date.

7.3.2 Performance of Covenants and Obligations by Nokia

Nokia has, in all material respects, performed and complied with all material covenants and obligations required to be performed or complied with by it under this MoU at or prior to the French Offer Filing Date.

7.3.3 Nokia Board Recommendation

The Nokia Board has reiterated the Nokia Board Recommendation in accordance with Section 6.2.3 and has not otherwise made a Change in Nokia Board Recommendation.

7.3.4 No Material Adverse Effect

After the date of this MoU there shall not have occurred a Material Adverse Effect with respect to Nokia which is continuing immediately prior to the French Offer Filing Date.

Section 7.4 Conditions to Nokia's Obligations to Consummate the Offers

Following the French Offer Filing Date, Nokia's obligation to accept, and to exchange, any Company Securities validly tendered into the French Offer will be subject only to (i) the clearance (*décision de conformité*) of the French Offer by the AMF under applicable regulations, (ii) no court of competent jurisdiction having issued or granted a definitive judgment, order or injunction which remains in effect and sets aside the clearance (*décision de conformité*) of the French Offer by the AMF, (iii) the number of Company Securities validly tendered in accordance with the terms of the Offers representing, on the date of announcement of the results of the French Offer taking into account the results of the U.S. Offer by the AMF, more than 50.00% of the Company Shares on a Fully Diluted Basis (the "**Minimum Tender Condition**"), (iv) the Nokia Shareholder Approval having been obtained and (v) the AMF having announced the successful result of the Offers.

As soon as practicable after the satisfaction or waiver in accordance of the conditions set forth in this Section 7.4, Nokia shall consummate the Offers in accordance with their terms and applicable Law, and accept for exchange, and exchange, all Company Securities validly tendered and not withdrawn pursuant to the Offers.

ARTICLE VIII

TERMINATION

Section 8.1 Termination by Mutual Agreement

This MoU may be terminated by mutual written agreement of Nokia and the Company at any time prior to the Completion Date.

Section 8.2 Termination by Either Party

This MoU may be terminated by either Nokia or the Company with a written notice to the other Party:

(a) at any time prior to the French Offer Filing Date if thirty (30) days have elapsed since the date the Company notifies Nokia in writing that the Independent Expert has notified the Company in writing that it cannot issue a Favorable Report;

(b) at any time following the Long Stop Date if the French Offer Filing Date has not occurred by the Long Stop Date (as it may be extended from time to time); provided*,* however*,* that the right to terminate this MoU pursuant to this Section 8.2(b) is not available to any Party whose failure to perform any covenant or obligation under this MoU has materially contributed to the failure of the French Offer Filing Date to occur prior to the Long Stop Date;

(c) at any time following the French Offer Opening Date if, pursuant to Article 232-11 of the AMF General Regulation, the French Offer has been withdrawn by Nokia, or the AMF has published a notice that the French Offer was not successful; provided, however, that neither Party may terminate this MoU under this Section 8.2(c) if this MoU could have been terminated pursuant to Section 8.2(g);

(d) at any time if any Relevant Authority of competent jurisdiction shall have (i) denied in writing any Consent required under Section 7.1.2 or (ii) enacted, issued, promulgated or granted any Restricting Law, and in each of cases (i) and (ii) such denial or Restricting Law shall have become final, binding and non-appealable, as applicable; provided, however, that the party seeking to terminate this MoU pursuant to this Section 8.2(d) shall have used its reasonable best efforts (including by taking any action required pursuant to Section 5.2) to (a) prevent the denial of such Consent or (b) prevent the entry of and to remove such Restricting Law, as applicable; and provided*,* further*,* that the right to terminate this MoU pursuant to this Section 8.2(d) is not available to any Party (i) whose failure to perform any covenant or obligation under this MoU (including any obligation under Section 5.2) or (ii) whose material breach of this MoU (including of a covenant or representation and warranty) has been the cause of, or resulted in, the occurrence of any of the events referred to in this Section 8.2(d);

(e) at any time prior to the Completion Date if the Company Board effects a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation, in each case in accordance with 6.1.2(d)(ii);

(f) at any time (x) prior to the issuance of the Company Support Statement, if (i) the Company Board effects a Change in Company Announcement Statement or (ii) a Failure to Issue the Company Support Statement occurs, in each case, following the Consultation (except a new consultation pursuant to the third paragraph of Section 5.1) in accordance with the last paragraph of Section 5.1 or (y) following the French Offer Filing Date if the Company Board effects a Change in the Company Board Recommendation following a new consultation pursuant to the third paragraph of Section 5.1 which is required as a result of a material change to the French commitments set forth on Annex 6 (*French Commitments*) and which change is materially adverse to the Company's employees; or

(g) at any time prior to the Completion Date if the resolutions related to the transactions contemplated hereby have been submitted at the Nokia Shareholders' Meeting pursuant to Section 6.2.2 and the Nokia Shareholder Approval shall not have been validly obtained at the Nokia Shareholders' Meeting.

Section 8.3 Termination by Nokia

This MoU may be terminated by Nokia with a written notice to the Company:

(a) at any time prior to the French Offer Filing Date if the Company materially breaches this MoU, which breach (A) would result in a failure of a condition precedent set forth in Section 7.1.1, 7.1.2, 7.2.1, 7.2.2 or 7.2.3 and (B) cannot be or has not been cured within sixty (60) days after a written notice by Nokia to the Company of such breach;

(b) at any time prior to the Completion Date if (A) the Company Board effects a Change in Company Announcement Statement (other than following the Consultation in accordance with the last paragraph of Section 5.1), Change in Company Support Statement or a Change in Company Board Recommendation, (B) Failure to Issue the Company Support Statement occurs (other than by reason of the outcome of the Consultation in accordance with the last paragraph of Section 5.1) or (C) Failure to Issue the Company Board Recommendation occurs, in each case other than pursuant to Section 6.1.2(d)(ii) or Section 6.1.2(d)(iv); or

(c) at any time prior to the French Offer Filing Date if a Material Adverse Effect occurs and is continuing in respect of the Company.

Section 8.4 Termination by the Company

This MoU may be terminated by the Company with a written notice to Nokia:

(a) at any time prior to the French Offer Filing Date if Nokia materially breaches this MoU, which breach (A) would result in a failure of a condition precedent set forth in Section 7.1.1, 7.1.2, 7.3.1, 7.3.2, 7.3.3 or Section 7.4 and (B) cannot be or has not been cured within sixty (60) days after a written notice by the Company to Nokia of such breach;

(b) at any time if the Nokia Board makes a Change in Nokia Board Recommendation; or

(c) at any time prior to the French Offer Filing Date if a Material Adverse Effect occurs and is continuing in respect of Nokia.

Section 8.5 Effect of Termination

8.5.1 Effect of Termination

In the event of termination of this MoU pursuant to this Article VIII, this MoU (other than as set forth in this Section 8.5 and Section 9.1) shall cease to have any further effect with no liability on the part of any Party hereto (or of any of its directors, officers, employees, agents, legal and financial advisors or other representatives), subject, where relevant, to full payment of the fees specified in Section 8.5.2 and Section 8.5.3, as applicable, by the relevant Party to the other; provided, however, that no such termination shall relieve any Party of any contractual or other liability or damages to the extent arising from any fraud or willful breach of this MoU prior to termination of this MoU pursuant to this Article VIII; and provided, further, that the Parties shall cooperate with each other in connection with the withdrawal of any applications to or termination of proceedings before any Relevant Authority in connection with the Offers.

8.5.2 Fees Payable by Nokia

(a) The Nokia Shareholder Approval Failure Fee shall be payable by Nokia to the Company in the event that either Party terminates this MoU pursuant to Section 8.2(g) (unless the Nokia Change in Recommendation Fee is payable in accordance with Section 8.5.2(b)(ii)).

(b) The Nokia Change in Recommendation Fee shall be payable by Nokia to the Company in the event that (i) the Company terminates this MoU pursuant to Section 8.4(b) except if the Company at the time of the termination would have been entitled to terminate the MoU pursuant to Section 8.2(g) (in which case the Nokia Shareholder Approval Fee shall be payable by Nokia to the Company), or (ii) the Company terminates this MoU pursuant to Section 8.4(a) and Nokia or the Nokia Board has taken deliberate action to frustrate the obtaining of the Nokia Shareholders Approval.

(c) The Nokia French Regulatory Approval Failure Fee shall be payable by Nokia to the Company in the event that (i) either Party terminates this MoU pursuant to Section 8.2(b) and at the time of such termination the conditions precedent specified in Section 7.1.2 (other than with respect to the French Regulatory Approval) have been satisfied or (i) either Party terminates this MoU pursuant to Section 8.2(d) as a result of the denial of the French Regulatory Approval and at the time of such termination no other Relevant Authority of competent jurisdiction shall have (A) denied in writing any Material Competition Approval or Regulatory Approval required under Section 7.1.2 or (B) enacted, issued, promulgated or granted any Restricting Law, provided that in each of cases (A) and (B) such denial or Restricting Law shall have become final, binding and non-appealable.

(d) The Nokia Regulatory Approval Failure Fee shall be payable by Nokia to the Company in the event that (i) either Party terminates this MoU pursuant to Section 8.2(b) and at the time of such termination any condition precedent specified in Section 7.1.2 (other than the French Regulatory Approval) has not been satisfied or (ii) either Party terminates this MoU pursuant to Section 8.2(d) and at the time of such termination any Relevant Authority of competent jurisdiction shall have (A) denied in writing any Consent required under Section 7.1.2 (other than the French Regulatory Approval) or (B) enacted, issued, promulgated or granted any Restricting Law (other than with respect to the French Regulatory Approval), provided that in each of cases (A) and (B) such denial or Restricting Law shall have become final, binding and non-appealable.

(e) Any fee payable by Nokia to the Company pursuant to this Section 8.5.2 shall, notwithstanding the termination of this MoU, be made by wire transfer of same day funds within five (5) Business Days of receipt of the written termination notice by the Company or Nokia, as applicable. For the avoidance of doubt, fees payable by Nokia to the Company pursuant to this Section 8.5.2 are not cumulative and in no event shall more than one fee be payable by Nokia to the Company pursuant to this Section 8.5.2.

8.5.3 Fees Payable by the Company

(a)

(i) The Company shall pay to Nokia the amount equal to all fees, costs and expenses (including financial and legal advisor fees) incurred by Nokia in connection with the transactions contemplated by this MoU (including the negotiation thereof) in the event that either Party terminates this MoU pursuant to Section 8.2(a) or Section 8.2(f)(x), provided that such amount shall in no event exceed forty million euros (€40 000 000).

(ii) The Company shall pay to Nokia one hundred million euros (€100 000 000) for all of Nokia’s direct and indirect costs and expenses (including financial and legal advisor fees) incurred in connection with the transactions contemplated by this MoU (including the negotiation thereof) in the event that either Party terminates this MoU pursuant to Section 8.2(f)(y).

(b) The Company Termination Fee shall be payable by the Company to Nokia in the event that (i) either Party terminates this MoU pursuant to Section 8.2(c) and the Company Board takes any decision or measure leading to withdrawal of the French Offer pursuant to Article 232-11, (ii) either Party terminates this MoU pursuant to Section 8.2(e) or (iii) Nokia terminates this MoU pursuant to Section 8.3(b).

(c) The Company Termination Fee shall be payable by the Company to Nokia in the event that (i) an Alternate Proposal by any Person or group of Persons for the Company is publicly announced or made publicly known or otherwise communicated to the Company, (ii) thereafter, whereas the Company has not approved or recommended such Alternate Proposal nor made a Change in Company Announcement Statement, Change in Company Support Statement or a Change in Company Board Recommendation pursuant to

Section 6.1.2(d)(i), Section 6.1.2(d)(ii) or Section 6.1.2(d)(iii), this MoU is terminated by either Party pursuant to Section 8.2(c) (solely as a result of the failure to satisfy the Minimum Tender Condition) and (iii) within twelve (12) months of such termination pursuant to Section 8.2(c), the Company or any of its Subsidiaries enters into and consummates an Alternate Proposal Agreement with such Person or group of Persons in respect of an Alternate Proposal; provided that for the purposes of this Section 8.5.3(c), the term "Alternate Proposal" shall have the meaning set forth in Section 1.1, except that all references to "15%" in the definition of "Alternate Proposal" shall be replaced by "30%" with respect to prong (i)(A) of the Alternate Proposal definition and shall be replaced by "50%" with respect to prong (i)(B) of the Alternate Proposal definition.

(d) Any fee payable by the Company to Nokia pursuant to this Section 8.5.3 shall, notwithstanding the termination of this MoU, be made by wire transfer of same day funds within five (5) Business Days of receipt of the written termination notice by the Company or Nokia, as applicable. For the avoidance of doubt, fees payable by Nokia to the Company pursuant to this Section 8.5.3 are not cumulative and in no event shall more than one fee be payable by Nokia to the Company pursuant to this Section 8.5.3.

8.5.4 Interest

Each of the Company and Nokia acknowledges that the agreements contained in this Section 8.5 are an integral part of the transactions contemplated by this MoU, and that, without these agreements, the other Party would not enter into this MoU; accordingly, if either Party fails to promptly pay or cause to be paid the amount due pursuant to this Section 8.5, and, in order to obtain such payment, the other Party commences an arbitration or judicial proceedings in each case in accordance with Section 9.14 that result in an arbitral award or a judgment against such Party for the payment set forth in this Section 8.5 or any portion of such payment, such Party shall pay the other Party its costs and expenses (including attorneys' fees) in connection with such arbitration or judicial proceedings in each case in accordance with Section 9.14, together with interest on the amount of the payment at EURIBOR 3 months, in effect on the date such payment was required to be paid, plus 200 basis points, from the date on which such payment was required through the date of actual payment. In no event shall the Company or Nokia be obligated pursuant to this Section 8.5 to pay more than one Termination Payment.

8.5.5 Termination Payment Limitations

In the event that legal action is taken by any party (including any of the Parties) against Nokia, the Nokia Board, the Company or the Company Board in relation to the legality of the decision by the Nokia Board or the Company Board to enter into or perform the agreements between Nokia and the Company set forth in Section 8.5.2 or Section 8.5.3, as the case may be, and, despite the party subject to the legal action having vigorously defended against such legal action, it is concluded by a final non-appealable judgment or decision of a court of competent jurisdiction that the decision by the Nokia Board or the Company Board, as applicable, to enter into the agreements under Section 8.5.2 or Section 8.5.3 is unlawful or unenforceable, then the Party that would be entitled to the termination payment under Section 8.5.2 or Section 8.5.3, as applicable (referred to as the "**Recipient**" for the purposes of this Section), shall promptly remit to the Party that would be obligated to pay the termination payment under Section 8.5.2 or Section 8.5.3, as applicable, the portion of such termination payment (to the extent already paid) that such court has determined to be unlawful or unenforceable, net of any reasonable costs and expenses of the Recipient.

At the Recipient's option, the Recipient shall be entitled to assume and control the defense of any legal action referred to in this Section 8.5.5 subject to the Recipient assuming all the costs relating to such defense.

8.5.6 Standstill

Each Party agrees that it shall comply with the obligations set forth in Annex 5 (*Standstill*).

ARTICLE IX

MISCELLANEOUS

Section 9.1 Survival

This Article IX (other than Section 9.7), the agreements of the Company and Nokia contained in Section 8.5 and the Confidentiality Agreement shall survive the termination of this MoU. No other representations, warranties, covenants and agreements in this MoU shall survive the consummation of the Offers or the termination of this MoU. The Confidentiality Agreement shall terminate automatically on the Completion Date.

Section 9.2 Amendment and Waiver

Any provision of this MoU may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by each of the Parties, or in the case of a waiver, by the Party or Parties against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 9.3 Assignment

Neither this MoU nor any of the rights, interests or obligations under this MoU may be assigned, in whole or in part, by any of the Parties (whether by operation of law or otherwise) without the prior written consent of the other Party. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the immediately preceding provisions of this Section 9.3, this MoU shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective permitted successors and assigns.

Section 9.4 Entire Agreement; No Third-Party Beneficiaries

This MoU (including any Annexes hereto), the Company Disclosure Letter, the Nokia Disclosure Letter and the Confidentiality Agreement constitute the entire agreement with respect to the subject matter hereof, and supersede all other prior agreements, understandings, representations and warranties between the Parties, in each case whether, with respect to such matters. Other than as expressly provided in Section 6.2.5 with respect to any current or former director or senior officer of the Company, who shall have such rights as set forth in Section 6.2.5, this MoU is not intended to, and does not confer upon any Person other than the Parties any rights or remedies hereunder.

Section 9.5 Severability

The terms and conditions of this MoU shall be deemed severable and the invalidity or unenforceability of any term or condition shall not affect the validity or enforceability of the other terms or conditions hereof. If any term or condition of this MoU (or any portion thereof), or the application of any such term or condition (or any portion thereof) to any Person or any circumstance, is invalid or unenforceable, (i) a suitable provision shall be substituted therefor in order to carry out, so far as may not affect the interests of the Party(ies) concerned, as applicable, be valid and enforceable, the intent and purpose of such invalid or unenforceable provision or portion thereof and (ii) the remainder of this MoU and the application of such term or condition to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such term or condition, or the application thereof, in any other jurisdiction.

Section 9.6 Headings

The Article, Section and paragraph headings and table of contents contained in this MoU are for reference purposes only and shall not in any way affect the meaning or interpretation of this MoU.

Section 9.7 Disclosure Letters

Any disclosure contained in the Company Disclosure Letter or the Nokia Disclosure Letter shall apply to any other section or subsection of the Company Disclosure Letter or Nokia Disclosure Letter, respectively, where the applicability of such disclosure is reasonably apparent. The mere inclusion of any item in the Company Disclosure Letter as an exception to a representation or warranty of the Company or in the Nokia Disclosure Letter as an exception to a representation or warranty of Nokia in this MoU shall not be deemed to be an admission that such item is a material exception, fact, event or circumstance, or that such item, individually or in the aggregate, has been or is reasonably expected to have been, a Material Adverse Effect with respect to the Company or Nokia, as applicable, or trigger any other materiality qualification.

Section 9.8 Expenses

Except as otherwise expressly provided in this MoU, all costs and expenses incurred in connection with this MoU and the transactions contemplated by this MoU shall be paid by the Party incurring such expenses.

Section 9.9 Transfer Taxes

All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including penalties and interest) incurred in connection with the Offers or the transactions contemplated by this MoU shall be paid by the Party upon which such Taxes are imposed.

Section 9.10 Remedies

Except as otherwise expressly provided in this MoU, any and all remedies expressly conferred upon a Party to this MoU shall be cumulative with, and not exclusive of, any other remedy contained in this MoU. The exercise by a Party to this MoU of any one remedy shall not preclude the exercise by it of any other remedy.

Section 9.11 Privilege

To the extent that any confidential information exchanged between the Parties in connection with this MoU is covered or protected by legal advice, litigation, common interest or any other applicable privilege or doctrine, disclosure of such confidential information to a Party or its representatives does not constitute a waiver of any such privilege. Each Party agrees to assert all such privileges in opposition to any request for disclosure of confidential information propounded by any third party.

Section 9.12 Notices

All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the Party for whom it is intended, if delivered by registered or certified mail, return receipt requested, or by an international courier service, or if sent by email (provided that written confirmation of receipt of email is issued to the sender of the notice), and a hard copy of such notice is also delivered by international courier service one (1) Business Day after transmission to the person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such person:

If to Nokia:

Nokia Corporation
Karaportti 3
02610 Espoo
Finland
Attn: General Counsel

With a copy to (which shall not constitute a notice to Nokia):

Nokia Corporation
Karaportti 3
02610 Espoo
Finland
Attn: M&A Legal

Skadden, Arps, Slate, Meagher and Flom (UK) LLP
Canary Wharf
40 Bank Street
London E14 5DS
United Kingdom
Fax: +44 20 7519 7000
Attn: Scott Simpson
Michal Berkner

Skadden, Arps, Slate, Meagher and Flom LLP
68 rue du Faubourg Saint-Honoré
75008 Paris
France
Fax: +33 1 55 27 21 95
Attn: Armand W. Grumberg

If to the Company:

Alcatel Lucent
148/150 route de la Reine
92100 Boulogne-Billancourt
France
Email: jean.raby@alcatel-lucent.com
Attn: Jean Raby

With a copy to (which shall not constitute a notice to the Company):

Sullivan & Cromwell LLP
24, rue Jean-Goujon
75008 Paris
France
Fax: +33 1 73 04 10 10
Attn: Gauthier Blanluet

Sullivan & Cromwell LLP
1 New Fetter Lane
London EC4A 1AN
United Kingdom
Fax: +44 20 7959 8950
Attn: Richard C. Morrissey

Any notice given by mail or international courier service shall be effective when delivered. Any notice given by email after 17:00 (in the place of receipt) on a Business Day or on a day that is not a Business Day shall be deemed received on the following Business Day.

Section 9.13 Governing Law

This MoU shall be exclusively governed by and construed in accordance with the Laws of France, without regard to principles of conflicts of law, provided that the fiduciary duties of the Nokia Board shall be exclusively governed by and construed in accordance with the Laws of Finland, without regard to principles of conflicts of law, and provided, further, that the definition of "Material Adverse Effect" and any determination or dispute as to whether there has been or would be a "Material Adverse Effect" with respect to any Party for the purposes of any provision of this MoU shall be exclusively governed by and construed in accordance with the Laws of the State of Delaware, without regard to the conflict of laws principles thereof.

Section 9.14 Jurisdiction

The Parties undertake to use their best efforts to try to settle amicably any dispute, controversy or claim (including any non-contractual claim) arising out of or in connection with this MoU or the breach, termination or validity thereof (a "**Dispute**"). Therefore, before referring to arbitration any Party must notify by registered mail to the other Party its wish to try to settle amicably the Dispute. Such notice shall include description of the Dispute and any documents reasonably available to such Party and related thereto. The Parties undertake to involve the higher level of their management to try to settle amicably the Dispute.

Failing an amicable settlement within three (3) weeks of the receipt of the above-mentioned notification, the Dispute shall be finally settled by arbitration under the rules administered by the International Court of Arbitration (the "**Court**") of the International Chamber of Commerce ("**ICC**") then in effect (the "**Rules**"), except as modified herein. The seat of arbitration shall be London, United Kingdom. The language of the arbitration shall be English, provided that documents or testimony may be submitted in another language if a translation is provided.

In an arbitration the following shall apply:

(i) The arbitration shall be conducted by three arbitrators (the "**Tribunal**") appointed in accordance with the Rules, and the Parties intend for the ICC Court to strictly enforce the relevant time periods in order to promptly constitute the Tribunal. The Terms of Reference (as defined in the Rules) shall be signed by the Tribunal and the Parties as expeditiously as possible but no later than twenty (20) Business Days after the confirmation of the appointment of the third arbitrator, subject to extension by the ICC Court. The Parties further direct the Tribunal to establish a strict timetable for the proceedings and generally conduct the arbitration as expeditiously as practicable, without prejudice to the disclosure rights of the Parties, in order to ensure a prompt resolution of any Dispute.

(ii) The award shall be rendered by the Tribunal as expeditiously as possible after the close of the hearing and in any event no later than eighteen (18) months as from the date of the filing of the Request for Arbitration (as defined in the Rules); provided*,* however*,* that the Tribunal may seek an extension of such time limit from the ICC Court for good cause. The award rendered by the Tribunal shall be final and binding on the Parties and enforceable against such Parties and their assets in any court of competent jurisdiction.

(iii) By agreeing to arbitration, the Parties do not intend to deprive any competent court or the ICC Emergency Arbitrator of the jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. In any such judicial action: (i) each of the Parties irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the Courts of France; and (ii) each Party irrevocably waives, to the fullest extent it may effectively do so, any objection to the jurisdiction of such courts. The Parties agree that the Party seeking interim relief or the enforcement of the award may do so in the forum of its choice.

(iv) Without prejudice to such provisional remedies as may be available under the jurisdiction of a court or the ICC Emergency Arbitrator, the Tribunal shall have full authority to grant provisional remedies and to direct the Parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the Tribunal's orders to that effect. The arbitrators also shall be entitled to enforce specifically the terms and provisions of this MoU and to award monetary damages and other remedies pursuant to this MoU or applicable Law.

(v) Costs shall be awarded in accordance with the Rules.

(vi) This MoU and the rights and obligations of the Parties shall remain in full force and effect pending the award in any arbitration proceeding hereunder.

(vii) All notices by one Party to another Party in connection with the arbitration shall be in accordance with the provisions of Section 9.12 except that no notice may be transmitted by facsimile.

(viii) This agreement to arbitrate shall be binding upon the successors and permitted assigns of each Party.

[signature page follows]

Entered into in Paris, France
On April 15, 2015
In two original copies

NOKIA CORPORATION

By: /s/ Rajeev Suri

Name: Rajeev Suri
Title: Chief Executive Officer

By: /s/ Maria Varsellona

Name: Maria Varsellona
Title: Chief Legal Officer

ALCATEL LUCENT

By: /s/ Michel Combes

Name: Michel Combes
Title: Chief Executive Officer

LIST OF ANNEXES

Annex 1: Announcement

NOKIA AND ALCATEL-LUCENT TO COMBINE TO CREATE AN INNOVATION LEADER IN NEXT GENERATION TECHNOLOGY AND SERVICES FOR AN IP CONNECTED WORLD

Nokia Corporation

Stock Exchange Release

April 15, 2015 at 08:00 (CET +1)

NOKIA AND ALCATEL-LUCENT TO COMBINE TO CREATE AN INNOVATION LEADER IN NEXT GENERATION TECHNOLOGY AND SERVICES FOR AN IP CONNECTED WORLD

Helsinki & Paris, April 15, 2015 – Nokia and Alcatel-Lucent announce today their intention to combine to create an innovation leader in next generation technology and services for an IP connected world. The two companies have 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, on the basis of 0.55 of a new Nokia share for every Alcatel-Lucent share. The all-share transaction values Alcatel-Lucent at EUR 15.6 billion on a fully diluted basis, corresponding to a fully diluted premium of 34% (equivalent to EUR 4.48 per share), and a premium to shareholders of 28% (equivalent to EUR 4.27 per share) (see Appendix 1), on the unaffected weighted average share price of Alcatel-Lucent for the previous three months. This is based on Nokia's unaffected closing share price of EUR 7.77 on April 13, 2015.

Each company's Board of Directors has approved the terms of the proposed transaction, which is expected to close in the first half of 2016. The proposed transaction is subject to approval by Nokia's shareholders, completion of relevant works council consultations, receipt of regulatory approvals and other customary conditions.

Enabling the connected world

The combined company will be uniquely positioned to create the foundation of seamless connectivity for people and things wherever they are. This foundation is essential for enabling the next wave of technological change, including the Internet of Things and transition to the cloud.

The combined company will have unparalleled innovation capabilities, with Alcatel-Lucent's Bell Labs and Nokia's FutureWorks, as well as Nokia Technologies, which will stay as a separate entity with a clear focus on licensing and the incubation of new technologies.

With more than 40 000 R&D employees and spend of EUR 4.7 billion in R&D in 2014, the combined company will be in a position to accelerate development of future technologies including 5G, IP and software-defined networking, cloud, analytics as well as sensors and imaging.

Alcatel-Lucent and Nokia have highly complementary portfolios and geographies, with particular strength in the United States, China, Europe and Asia-Pacific. They will also bring together the best of fixed and mobile broadband, IP routing, core networks, cloud applications and services. This combination is expected to create access to an expanded addressable market with improved long term growth opportunities.

Consumers are looking to access data, voice and video across networks of all kinds. In this environment technology that used to operate independently now needs to work well together. That is not always the case today, but together Nokia and Alcatel-Lucent are uniquely suited to helping telecom operators, internet players and large enterprises address this challenge.

TRANSACTION HIGHLIGHTS

- 0.55 of a newly issued ordinary share of Nokia (subject to adjustments for any dividend other than the previously proposed Nokia dividend for 2014) would be offered in exchange for each ordinary share and each American Depositary Share of Alcatel-Lucent. An equivalent offer would be made for each outstanding class of Alcatel-Lucent convertible bonds: OCEANE 2018, OCEANE 2019 and OCEANE 2020
- The offer values Alcatel-Lucent at EUR 15.6 billion on a fully diluted basis, after taking into account the early conversion and associated dilution of Alcatel-Lucent's convertible bonds, corresponding to a fully diluted premium of 34% (equivalent to EUR 4.48 per share), and a premium to the shareholders of 28% (equivalent to EUR 4.27 per share), on the unaffected weighted average share price of Alcatel-Lucent for the previous three months. This is based on Nokia's unaffected closing share price of EUR 7.77 on April 13, 2015
- Alcatel-Lucent shareholders would own 33.5% of the fully diluted share capital of the combined company, and Nokia shareholders would own 66.5%, assuming full acceptance of the public exchange offer
- The combined company will be called Nokia Corporation, with headquarters in Finland and a strong presence in France. Risto Siilasmaa is planned to serve as Chairman, and Rajeev Suri as Chief Executive Officer
- The combined company's Board of Directors is planned to have nine or ten members, including three members from Alcatel-Lucent, one of whom would serve as Vice Chairman
- Assuming the closing of the transaction in the first half of 2016:
  - The combined company would target approximately EUR 900 million of operating cost synergies to be achieved on a full year basis in 2019
  - The combined company would target approximately EUR 200 million of reductions in interest expenses to be achieved on a full year basis in 2017
  - The transaction is expected to be accretive to Nokia earnings on a non-IFRS basis (excluding restructuring charges and amortisation of intangibles) in 2017
- A strong financial profile on which to grow and invest: on a FY2014 combined basis, the proposed company would have had net sales of EUR 25.9 billion, a non-IFRS operating profit of EUR 2.3 billion, a reported operating profit of EUR 0.3 billion, R&D investments of approximately EUR 4.7 billion, and a strong balance sheet with combined net cash at December 31, 2014 of EUR 7.4 billion, assuming conversion of all Nokia and Alcatel-Lucent convertible bonds (for basis of preparation see Appendix 2)

Rajeev Suri, President and Chief Executive Officer of Nokia, said:

"Together, Alcatel-Lucent and Nokia intend to lead in next-generation network technology and services, with the scope to create seamless connectivity for people and things wherever they are.

Our innovation capability will be extraordinary, bringing together the R&D engine of Nokia with that of Alcatel-Lucent and its iconic Bell Labs. We will continue to combine this strength with the highly efficient, lean operations needed to compete on a global scale.

We have hugely complementary technologies and the comprehensive portfolio necessary to enable the internet of things and transition to the cloud. We will have a strong presence in every part of the world, including leading positions in the United States and China.

Together, we expect to have the scale to lead in every area in which we choose to compete, drive profitable growth, meet the needs of global customers, develop new technologies, build on our successful intellectual property licensing, and create value for our shareholders.

For all these reasons, I firmly believe that this is the right deal, with the right logic, at the right time."

Michel Combes, Chief Executive Officer of Alcatel-Lucent, added:

"A combination of Nokia and Alcatel-Lucent will offer a unique opportunity to create a European champion and global leader in ultra-broadband, IP networking and cloud applications. I am proud that the joined forces of Nokia and Alcatel-Lucent are ready to accelerate our strategic vision, giving us the financial strength and critical scale needed to achieve our transformation and invest in and develop the next generation of network technology.

This transaction comes at the right time to strengthen the European technology industry. We believe our customers will benefit from our improved innovation capability and incomparable R&D engine under the Bell Labs brand. The global scale and footprint of the new company will reinforce its presence in the United States and China.

The proposed transaction represents a compelling offer for our shareholders both in terms of upfront premium and long term value creation potential. Shareholders of Alcatel-Lucent now have the opportunity to participate in the future upside of the industrial project that they have supported during the last two years, through a stronger combined business with greater global scale and a better position for the longer term. The new company will also provide our employees exciting opportunities to be part of a global leader."

TRANSACTION OVERVIEW

The proposed transaction is expected to offer financial benefits to both Nokia and Alcatel-Lucent shareholders.

The combined company will be positioned to target a larger addressable market with an improved growth profile. Based on Nokia estimates, the addressable market of the combined company in 2014 was approximately 50% larger than the current addressable networks market for Nokia alone, increasing from approximately EUR 84 billion to approximately EUR 130 billion. The combined company is expected to have a stronger growth profile than Nokia's current addressable market, with an estimated CAGR of approximately 3.5% for 2014-2019.

The combined company would target approximately EUR 900 million of operating cost synergies to be achieved on a full year basis in 2019, assuming closing of the transaction in the first half of 2016. The operating cost synergies are expected to create a long-term structural cost advantage, coming from a wide-range of areas, including:

- Organizational streamlining, rationalisation of overlapping products and services, central functions, and regional and sales organizations
- Reduction of various overhead costs in real estate, manufacturing and supply-chain, information technology, and overall general and administrative expenses, including redundant public company costs
- Procurement given expanded purchasing requirements of the combined company

The combined company would also target approximately EUR 200 million of reductions in interest expenses to be achieved on a full year basis in 2017. The transaction is expected to be accretive to Nokia earnings on a non-IFRS basis (excluding restructuring charges and amortization of intangibles) in 2017. These targets both assume closing of the transaction in the first half of 2016.

The combined company is expected to have a strong balance sheet, with combined net cash at December 31, 2014 of EUR 7.4 billion, assuming conversion of all Nokia and Alcatel-Lucent convertible bonds.

Nokia maintains its long term target to return to an investment grade credit rating and intends to manage the combined capital structure accordingly by retaining significant gross and net cash positions and by proactively reducing indebtedness. This includes Nokia's intention to exercise an early repayment option for its EUR 750 million convertible bond in the fourth quarter of 2015, which is expected to result in the full conversion of this convertible bond to equity prior to the closing of the transaction, with no expected cash outflow.

Nokia will suspend its capital structure optimization program, including suspending the share repurchase program execution, effective immediately until the closing of the transaction. Following the closing of the transaction, Nokia intends to evaluate the resumption of a capital structure optimization program for the combined company.

The proposed transaction does not impact Nokia's ability and intent to continue annual dividend payments. Nokia's Board of Directors dividend proposal of EUR 0.14 for the year ended December 31, 2014 is maintained.

TRANSACTION TERMS

The proposed transaction is structured as a public exchange offer in France in accordance with the General Regulation of the French securities regulator, the *Autorité des Marchés Financiers* (the "AMF"), and all applicable securities laws and regulations in the United States, in which:

- 0.55 of a newly issued ordinary share of Nokia (subject to adjustments for any dividend other than the previously proposed Nokia dividend for 2014) would be offered in exchange for one ordinary share of Alcatel-Lucent issued and outstanding (including upon the exercise of Alcatel-Lucent stock options) at the time of the offer and tendered
- 0.55 of a newly issued ordinary share of Nokia (subject to adjustments for any dividend other than the previously proposed Nokia dividend for 2014) would be offered in exchange for one American Depositary Share of Alcatel-Lucent tendered
- An equivalent offer will be made for each outstanding class of Alcatel-Lucent convertible bonds: OCEANE 2018, OCEANE 2019 and OCEANE 2020

After completion of the public exchange offer, Alcatel-Lucent shareholders would own 33.5% of the fully diluted share capital of the combined entity, and Nokia shareholders would own 66.5%, assuming full acceptance of the offer.

The proposed all-share transaction values Alcatel-Lucent at EUR 15.6 billion on a fully diluted basis, corresponding to a fully diluted premium of 34% (equivalent to EUR 4.48 per share), and a premium to the shareholders of 28% (equivalent to EUR 4.27 per share) on the unaffected weighted average share price of Alcatel-Lucent for the previous three months, based on Nokia's unaffected closing share price of EUR 7.77 on April 13, 2015.

The public exchange offer and the proposed combination will be implemented in accordance with the terms and conditions of the binding memorandum of understanding between Nokia and Alcatel-Lucent. In addition to the offer terms, the memorandum of understanding contains representations, warranties and undertakings by Nokia and Alcatel-Lucent typical in similar transactions. The memorandum of understanding may be terminated by Nokia or Alcatel-Lucent under certain circumstances prior to the filing and/or completion of the public exchange offers, including, for example, a material breach by either party of the terms and conditions of the memorandum of understanding prior to the filing of the offers, the occurrence of a material adverse effect in respect of either party prior to the filing of the offers, the Board of Directors of either party not issuing, or amending in an adverse manner its recommendation, non-receipt of regulatory approvals and certain other circumstances. The parties have further agreed on certain termination fees customary in similar European transactions and payable to the other party under certain circumstances, including a change or withdrawal of the recommendation by the Board of Directors of either party, and Nokia's failure to obtain the necessary shareholder approval or certain antitrust regulatory approvals.

Subject to Nokia acquiring at least ninety-five percent of the share capital and voting rights of Alcatel-Lucent, Nokia intends to commence a squeeze-out procedure of the remaining outstanding Alcatel-Lucent shares.

CONDITIONS TO OPENING AND COMPLETION OF THE PUBLIC EXCHANGE OFFER

The opening of the public exchange offer is subject to, inter alia, completion of relevant works council consultations; receipt of regulatory approvals in the relevant jurisdictions; the absence of any material adverse event occurring with respect to Nokia or Alcatel-Lucent prior to the filing of the offer with the *Autorité des Marchés Financiers* (AMF), the French securities regulator, and the United States' *Securities and Exchange Commission* (SEC); the issuance by Alcatel-Lucent's board of a formal recommendation (*avis motivé*) in favour of the public exchange offer; and to other customary conditions.

In accordance with the French tender offer rules, following launch of the public exchange offer the completion of the offer will only be subject to the approval by Nokia's shareholders of the resolutions necessary to implement the combination and the public exchange offer, and to Nokia holding more than 50.00% of the share capital of Alcatel-Lucent on a fully diluted basis upon the closing of the public exchange offer.

PRELIMINARY TIMELINE AND NOKIA SHAREHOLDER MEETING

Alcatel-Lucent will immediately start the information process of its Group works council in order to obtain its opinion on the proposed public exchange offer.

It is expected that the remainder of 2015 will constitute a review period consisting of regulatory and merger control review in a number of jurisdictions, AMF review and other transaction approvals and reviews. Nokia plans to convene an Extraordinary General Meeting to pass the resolutions necessary to implement the combination and the public exchange offer after the receipt of relevant regulatory approvals. Nokia's Board of Directors will, subject to its fiduciary duties, recommend that its shareholders vote in favour of such resolutions.

The notice to the meeting will be published and more information on the public exchange offer and its background made available to both Nokia's and Alcatel-Lucent's shareholders after said regulatory steps, which is expected to take place in late 2015 or early 2016. The public exchange offer is expected to be launched and completed in the first half of 2016.

CORPORATE STRUCTURE AND GOVERNANCE

The planned combined company would be headquartered in Finland, with strategic business locations and major R&D centers in France, and many other countries including Germany, the United States and China. The business is expected to operate under the Nokia brand and intends to retain the Bell Labs brand to host its networks-focused innovation activities.

Risto Siilasmaa is planned to serve as Chairman, and Rajeev Suri as Chief Executive Officer. The combined company's Board of Directors is planned to have nine or ten members, including three members from Alcatel-Lucent, one of whom would serve as Vice Chairman.

Nokia also announces today that it has initiated a review of strategic options for its HERE business. That review is ongoing, it may or may not lead to a transaction, and any further announcements about HERE will be made in due course, as appropriate.

Nokia Technologies, a source of superb innovation, expertise and intellectual property, is not impacted by today's announcements and will stay as a separate entity with a clear focus on incubating new technologies and sharing those technologies through an active licensing program.

Nokia shares are listed on Nasdaq Helsinki (ticker:NOK1V), and on the New York Stock Exchange in the form of American Depositary Receipts (ticker:NOK). In addition, Nokia will apply for a listing of Nokia's shares on NYSE Euronext Paris in connection with the public exchange offer.

COMMUNITIES AND ECOSYSTEM

Nokia is a global company, with deep roots and heritage in many parts of the world. When it joins with Alcatel-Lucent, it also expects that France, where Alcatel-Lucent is a fundamental participant in the technology ecosystem, will be a vibrant centre of the combined company. Nokia intends to be an important contributor to the overall development of the broader technology ecosystem and a driver of innovation in France.

Consistent with this goal, the combined company expects that after the closing of the transaction it will have a presence in France that spans leading innovation activities including a 5G/Small Cell R&D Centre of Excellence; a Cyber-Security lab similar to its existing facility in Berlin designed to support European collaboration on the topic; and a continued focus on Bell Labs and wireless R&D. Engaging with and supporting projects and academic efforts that enhance the development of future technologies will remain an important priority.

Upon closing of the transaction, Nokia also intends to establish a EUR 100 million investment fund to invest in start-ups in France with a focus on the Internet of Things and the Industrial Internet.

Nokia intends to maintain employment in France that is consistent with Alcatel-Lucent's end-2015 Shift Plan commitments, with a particular focus on the key sites of Villarceaux (Essonne) and Lannion (Côtes d'Armor). In addition, the company expects to expand R&D employment with the addition of several hundred new positions targeting recent graduates with skills in future-oriented technologies, including 5G. To ensure ongoing support for customers, activities for support services and pre- and post-sales are expected to continue as well.

Similarly Nokia and Alcatel-Lucent have had a defining impact on the United States communications industry. As long-standing technology partners of the US service providers and with a re-energized Bell Labs research and consultancy, the proposed combined company would have technological depth in all strategic domains combined with formidable operational strength. At a time where the industry is re-shaping itself with new architectures, business models and market players, Nokia and Alcatel-Lucent together would bring a compelling force to the fast evolving needs of large enterprises, webscale players, and the public sector, as well as service providers.

Nokia and Alcatel-Lucent also have a long and rich history in China. As a result of the transaction Nokia would own Alcatel-Lucent's 50% plus one share holding in Alcatel-Lucent Shanghai Bell, a company limited by shares supervised by the State-owned Assets Supervision and Administration

Commission of China. Both companies support the Chinese Government's ambitions to encourage a climate for indigenous innovation and technology development through the 'Internet Plus' and 'Made in China 2025' initiatives. The combined company intends to remain committed to China and plans to continue enabling local innovation with fast, smart, secure and reliable networks built with its Chinese partners.

OVERVIEW OF ALCATEL-LUCENT

Alcatel-Lucent is the leading IP networking, ultra-broadband access and cloud applications specialist. It believes that networks are the foundation of an ultra-connected world, and that networks need to be built to achieve the potential of every customer with flexibility, speed, and trust. Alcatel-Lucent's mission is to invent and deliver trusted networks to help its customers unleash their value.

The company employs approximately 52 600 employees as of end 2014 including 20 000 R&D employees. Its products and services are distributed all over the world (North America: 44%, Asia Pacific: 20%, Europe: 23%, Rest of World: 13%).

It is organized in two main operating segments:

- Core Networking segment including three business divisions: IP Routing, IP Transport and IP Platforms
- Access segment including four business divisions: Wireless, Fixed Access, Licensing and Managed Services

Alcatel-Lucent's shares are traded on Euronext Paris, which represents the principal trading market for its ordinary shares and on the New York Stock Exchange in the form of American Depository Shares.

ADVISORS

J.P. Morgan served as financial advisor to Nokia and delivered a fairness opinion to the Board of Directors of Nokia in connection with the transaction. Skadden, Arps, Slate, Meagher & Flom LLP and Roschier, Attorneys Ltd served as legal advisors.

Zaoui & Co is acting as lead M&A advisor to Alcatel-Lucent and delivered a fairness opinion to the Board of Directors of Alcatel-Lucent in connection with the transaction. Sullivan & Cromwell LLP served as legal advisor.

INVESTOR WEBCAST

Nokia CEO, Rajeev Suri, and Alcatel-Lucent CEO, Michel Combes, will host a webcast and conference call for investors and analysts on April 15, 2015 at 09:00 CET to discuss the transaction.

To join the investor webcast and slide show:

http://edge.media-server.com/m/s/bmodv5pd/lan/en

To join the investor webcast by phone:

US: +1 888 636 1561; Conference ID: 27473048

France: 0800 909322; Conference ID: 27473048

Europe: +44 1452 555 566; Conference ID: 27923810

PRESS CONFERENCE

A press conference will be held in Paris with the Chairmen and CEOs of both companies on April 15, 2015 at 10:15 CET at Pavillon Gabriel, 5 Avenue Gabriel, 75008 Paris.

To join the press conference webcast:

In English: http://edge.media-server.com/m/p/n3vw9fre/lan/en

In French: http://edge.media-server.com/m/p/n3vw9fre/lan/fr

In Chinese: http://edge.media-server.com/m/p/n3vw9fre/lan/zhs

To join the press conference by phone:

French: +33 (0)1 70 48 01 63; Conference ID 7669072

English: +44 (0)20 3427 1923; Conference ID 7166051

Chinese: +861059 045 014; Conference ID 1632595

MICROSITE DETAILS

Further information on the transaction can be found at: www.newconnectivity.com

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ABOUT NOKIA

Nokia invests in technologies important in a world where billions of devices are connected. We are focused on three businesses: network infrastructure software, hardware and services, which we offer through Nokia Networks; location intelligence, which we provide through HERE; and advanced technology development and licensing, which we pursue through Nokia Technologies. Each of these businesses is a leader in its respective field. http://company.nokia.com

ABOUT ALCATEL-LUCENT

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

This stock exchange release contains forward-looking statements that reflect Nokia's and Alcatel-Lucent's current expectations and views of future events and developments. Some of these forward-looking 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. These forward-looking statements include statements relating to: the expected characteristics of the combined company; expected ownership of the combined company by Nokia and Alcatel-Lucent shareholders; the target annual run rate cost synergies for the combined company; expected customer reach of the combined company; expected financial results of the combined company; expected timing of closing of the proposed transaction and satisfaction of conditions precedent, including regulatory conditions; the expected benefits of the proposed transaction, including related synergies; transaction timeline, including the Nokia shareholders' meeting; expected governance structure of the combined company and Nokia's commitment to conducting business in France and China. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements. These forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These forward-looking statements are only predictions based upon our 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. Risks and uncertainties include: the ability of Nokia to integrate Alcatel-Lucent into Nokia operations; the performance of the global economy; the capacity for growth in internet and technology usage; the consolidation and convergence of the industry, its suppliers and its customers; the effect of changes in governmental regulations; disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees or suppliers; and the impact on the combined company (after giving effect to the proposed transaction with Alcatel-Lucent) of any of the foregoing risks or forward-looking statements, as well as other risk factors listed from time to time in Nokia's and Alcatel-Lucent's filings with the U.S. Securities and Exchange Commission ("SEC").

The 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, and any other documents that Nokia or Alcatel-Lucent have filed with the SEC. Any forward-looking statements made in this stock exchange release are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

IMPORTANT ADDITIONAL INFORMATION

This stock exchange release relates to the proposed public exchange offer by Nokia to exchange all of common stock and convertible securities issued by Alcatel-Lucent for new ordinary shares of Nokia. This stock exchange release is for informational purposes only and does not constitute an offer to exchange, or a solicitation of an offer to exchange, all of common stock and convertible securities of Alcatel-Lucent, nor is it a substitute for the tender offer statement on Schedule TO or the preliminary prospectus / offer to exchange included in the Registration Statement on Form F-4 (the "Registration Statement") to be filed with the SEC, the listing prospectus of Nokia to be filed with the Finnish Financial Supervisory Authority or the tender offer document to be filed with the Autorité des marchés financiers (including the letter of transmittal and related documents and as amended and supplemented from time to time, the "Exchange Offer Documents"). The Registration Statement has not yet been filed with the SEC. The tender offer will be made only through the Exchange Offer Documents.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT NOKIA OR ALCATEL-LUCENT HAS FILED OR MAY FILE WITH THE SEC, AMF, NASDAQ OMX HELSINKI OR FINNISH FINANCIAL SUPERVISORY AUTHORITY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION.

All documents referred to above, if filed or furnished, will be available free of charge at the SEC's website (www.sec.gov).

APPENDIX 1

The fully diluted premium reflects the premium paid by Nokia on Alcatel-Lucent's market capitalization when adjusting for the dilutive effect of the Change of Control provisions in Alcatel-Lucent's three outstanding convertible bonds, which account for a substantial part of Alcatel-Lucent's equity, based on a 3-month volume weighted average price. Calculation (based on number of shares outstanding at the end of 2014) as follows:

a. Alcatel-Lucent current diluted shares of 3 218 million reflecting: i) 2 780 million common outstanding shares as of Dec 31, 2014 net of 40 million of treasury shares, ii) 40 million shares from outstanding stock options (reflecting treasury method based on Alcatel-Lucent unaffected closing share price of EUR 3.86 on April 13, 2015), iii) 27 million performance shares, and iv) 370 million shares underlying Alcatel-Lucent's 2018 OCEANE convertible bonds

b. Market capitalization of EUR 10 766 million based on Alcatel-Lucent current diluted shares of 3 218 million multiplied by the unaffected 3-month volume weighted average price of EUR 3.35

c. Offer value based on Nokia's unaffected closing share price as of April 13, 2015 of EUR 7.77 and offer exchange ratio of 0.550x, resulting in an implied offer price of EUR 4.27 per share

d. Alcatel-Lucent fully diluted shares of 3 643 million reflecting 3 218 million current diluted shares plus 426 million additional shares from Alcatel-Lucent's three tranches of OCEANE convertible bonds after reflecting change-of-control adjustment (takeover protection clause) based on an illustrative tender offer opening date of January 1, 2016. The breakdown of the 426 million shares is as follows: 68 million additional shares from the 2018 OCEANEs (over and above the 370 million already reflected in current diluted shares), 212 million shares from the 2019 OCEANEs and 145 million shares from the 2020 OCEANEs (neither of the 2019 or 2020 OCEANEs is included in the current diluted shares given they are out-of-the-money but the change-of-control adjustment reduces their effective conversion price, hence bringing them in-the-money).

e. Fully diluted offer equity value of EUR 15 570 million (calculated as the implied offer price of EUR 4.27 multiplied by fully diluted shares of 3 643 million) less the aggregate face value of the 2019 and 2020 OCEANEs of EUR 1 149 million equaling the adjusted offer equity value of EUR 14 421 million (this number excludes the face value of the 2019 and 2020 OCEANEs but includes the premium offered to them as a consequence of a lower conversion price due to the change-of-control adjustment).

f. Adjusted offer equity value if EUR 14 421 million divided by market capitalization of EUR 10 766 million equating to a fully diluted premium of 34%, equivalent to EUR 4.48 per share

APPENDIX 2: PRELIMINARY COMBINED FINANCIAL INFORMATION

Basis for preparation

The unaudited financial information presented below is based on Nokia's and Alcatel-Lucent's audited financial statements for the full year 2013 and 2014.

The combined financial information is for illustrative purposes only. The combined financial information gives an indication of the combined company's sales and earnings assuming the activities were included in the same company from the beginning of each period. The combined financial information is based on a hypothetical situation and should not be viewed as pro forma financial information as purchase price allocation, differences in accounting principles and transaction costs have not been taken into account. The difference between transaction value, which has been calculated based on the closing price of Nokia shares as of April 13, 2015 and Alcatel-Lucent's book equity has been allocated to non-current assets. The expected synergies have not been included.

For the purposes of financial reporting, the actual combined financials will, however, be calculated based on the transaction value and the fair values of Alcatel-Lucent's identifiable assets and liabilities at the closing date. Balance sheet items could therefore differ significantly from the combined financial information presented below and, as a result, have a significant impact on other items included in the income statement of the combined company.

This stock exchange release also contains non-IFRS operating profit information. For a reconciliation between reported and non-IFRS/adjusted information please see the reports for Q4 2014 and Full Year 2014. The reconciliation of the Full Year 2014 numbers can be found on page 41 in the report issued by Nokia on January 29, 2015 and on page 10 in the report issued by Alcatel-Lucent on February 6, 2015.

Combined income statement and statement of cash flow information (reported numbers for continuing operations)

	2014			2013		
EUR million	**Combined company**	**Nokia**	**Alcatel-Lucent**	**Combined company**	**Nokia**	**Alcatel-Lucent**
Net Sales	**25 910**	12 732	13 178	**26 522**	12 709	13 813
Gross Profit	**10 046**	5 638	4 408	**9 667**	5 345	4 322
Gross Margin	***38.8%***	44.3%	*33.4%*	***36.4%***	42.1%	31.3%
Operating Profit	**307**	170	137	**(220)**	519	(739)
Operating Margin	***1.2%***	*1.3%*	*1.0%*	***(0.8%)***	*4.1%*	*(5.4%)*
Net Income	**1 137**	1 171	(34)	**(1 228)**	41	(1 269)
Net cash from/(used in) operating activities	**2 457**	2 330	127	**913**	1 134	(221)
Capital expenditure	**867**	311	556	**870**	407	463

Combined statement of financial position information

	For the year ended December 31, 2014		
EUR million	**Combined company**	**Nokia**	**Alcatel-Lucent**
Non-current assets	**29 078**	7 339	10 362
Current assets excluding gross cash	**11 557**	6 009	5 548
Cash, cash equivalents & marketable securities	**13 265**	7 715	5 550
Total assets	**53 900**	21 063	21 460
Total equity	**22 740**	8 669	2 694
Non-current liabilities	**16 191**	5 106	11 085
Current liabilities	**14 969**	7 288	7 681
Total equity and liabilities	**53 900**	21 063	21 460
Total debt	**7 969**	2 692	5 277
Net cash	**5 296**	5 023	273

Annex 2: Key Terms of the Offers

Offer Exchange Ratio

- 0.55 Nokia Shares for each Company Share
- 0.55 Nokia Shares for each ADS

Offer for 2018 OCEANEs = Offer Exchange Ratio x $\mathbf{NCER_{2018}}$

Representing the number of Nokia Shares to be issued in exchange for each 2018 OCEANE convertible bond (par value of €1.80).

Where:

$$NCER_{2018} = CER_{2018} \times [1 + (0.368 \times \frac{D}{DT})]$$

Where:

$\mathbf{CER_{2018}}$ shall mean the last Conversion / Exchange Ratio applicable to the 2018 bonds (1.060 as of April 14, 2015) in effect before the French Offer Opening Date .

$\mathbf{NCER_{2018}}$ shall mean the new Conversion / Exchange ratio applicable to the 2020 bonds from the French Offer Opening Date until the final date (refer to prospectus for convertible bonds for details on final date).

D shall mean the exact number of days left to run between the French Offer Opening Date (inclusive) and the maturity date of the 2018 OCEANEs July 1, 2018 (excluded).

DT shall mean the exact number of days between the issue date July 3, 2013 (inclusive) and the maturity date July 1, 2018, i.e. 1 824 days.

Offer for 2019 OCEANEs = Offer Exchange Ratio x $\mathbf{NCER_{2019}}$

Representing the number of Nokia Shares to be issued in exchange for each 2019 OCEANE convertible bond (par value of €4.11).

Where:

$$NCER_{2019} = CER_{2019} \times [1 + (0.402 \times \frac{D}{DT})]$$

Where:

$\mathbf{CER_{2019}}$ shall mean the last Conversion / Exchange Ratio applicable to the 2019 bonds (1.000 as of April 14, 2015) in effect before the French Offer Opening Date.

$\mathbf{NCER_{2019}}$ shall mean the new Conversion / Exchange ratio applicable to the 2019 bonds from the French Offer Opening Date until the final date (refer to prospectus for convertible bonds for details on final date).

D shall mean the exact number of days left to run between the French Offer Opening Date (inclusive) and the maturity date of the 2019 OCEANEs January 30, 2019 (excluded).

DT shall mean the exact number of days between the issue date June 10, 2014 (inclusive) and the maturity date January 30, 2019, i.e. 1 695 days.

Offer for 2020 OCEANEs = Offer Exchange Ratio x $NCER_{2020}$

Representing the number of Nokia shares to be issued in exchange for each 2020 OCEANE convertible bond (par value of €4.02).

Where:

$$NCER_{2020} = CER_{2020} \times [1 + (0.371 \times \frac{D}{DT})]$$

Where:

CER_{2020} shall mean the last Conversion / Exchange Ratio applicable to the 2020 bonds (1.000 as of April 14, 2015) in effect before the French Offer Opening Date.

$NCER_{2020}$ shall mean the new Conversion / Exchange ratio applicable to the 2020 bonds from the French Offer Opening Date until the final date (refer to prospectus for convertible bonds for details on final date).

D shall mean the exact number of days left to run between the French Offer Opening Date (inclusive) and the maturity date of the 2020 OCEANEs January 30, 2020 (excluded).

DT shall mean the exact number of days between the issue date June 10, 2014 (inclusive) and the maturity date January 30, 2020, i.e. 2 060 days.

ASN Adjustment

The following calculations detail the adjustment to be applied to the **Offer Exchange Ratio** in the context of a spin-out of ASN to the Company shareholders. For the avoidance of doubt, nothing in this Annex 2 purports to amend the terms of the OCEANEs in any way.

$$\textit{Offer Exchange Ratio}_{Adjusted} = \textit{Offer Exchange Ratio} - [(\frac{\textit{Market value}_{ASN}}{\textit{Basic NOSH}_{Company}}) \div \textit{Price}_{Nokia}]$$

Market $value_{ASN}$: Defined as the 3-day volume weighted average share price of **ASN** SpinCo following spin out multiplied by **ASN** SpinCo total shares outstanding

$Price_{Nokia}$: Defined as Nokia closing share price of €7.77 as of April 13, 2015

Basic $NOSH_{Company}$: the Company basic shares outstanding as of announcement i.e. 2 780 311 943

Annex 3: Governance

The Company and the nomination committee of the Nokia Board shall cooperate in good faith and shall jointly (under the leadership of the chairman of the Nokia Board and the nomination committee of the Nokia Board) identify (based on initial recommendations to be made by the Company Chairman) three (3) individuals to be nominated to the Nokia Board at the Nokia Shareholders' Meeting described in Section 6.2.2. In the event such individuals are not elected, this Annex 3 shall apply to the next annual general meeting of Nokia.

The nomination committee of the Nokia Board shall nominate one of these nominees as a vice chairman of the Nokia Board for shareholder consideration at such Nokia Shareholders' Meeting.

Annex 4: Competition Approvals

Part I – Material Competition Approvals

- Expiration or termination of the waiting period pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976
- Approval pursuant to Council Regulation (EC) No.139/2004
- Approval pursuant to the merger control laws in the following countries:
  - Brazil
  - Canada
  - China
  - India
  - Japan
  - South Korea
  - Taiwan
  - Russia

Part II – Other Competition Approvals

The Parties shall use their respective commercially reasonable efforts to determine, within twenty (20) Business Days after the date of this MoU, whether, in addition to the Material Competition Approvals, the transactions contemplated by this MoU require any other authorizations, consents, orders or approvals of, or declaration or filings with, or expiration of any waiting period (or any extension thereof) from any antitrust, competition, antimonopoly or similar Relevant Authority (and for the avoidance of doubt, the granting of any such additional approvals shall not be conditions precedent for the purposes of Article VII of this MoU).

Annex 5: Standstill

Nokia agrees that, if this MoU has been terminated by the Company pursuant to Section 8.4(a) or Section 8.4(b), then for a period of the longer of (I) twelve (12) months following the date of such termination and (II) eighteen (18) months following the date of this MoU (the "**Nokia Standstill Period**"), it shall not, and shall cause its Subsidiaries not to (and it and its Subsidiaries will not assist or form a group within the meaning of Section 13(d)(3) (a "**13D Group**") of the Exchange Act, act in concert or participate with or encourage other Persons to), directly or indirectly, (A) acquire or offer to acquire, seek, propose or agree to acquire, by means of a purchase, tender or exchange offer, business combination or in any other manner, beneficial ownership (within the meaning of Section 13(d)(1) of the Exchange Act), including through any security, contract right or derivative position the value of which to the "owner" increases with an increase in the value of any equity securities (or other securities derived from the value of any equity securities) of the Company, without regard to any hedge that may have been entered into with respect to such position, but not including any interests or rights set forth in Rule 16a-1(c)(1)-(5) or (7) under the Exchange Act, of any securities or assets of the Company, including rights or options to acquire such ownership (B) seek or propose to influence, advise, change or control the management, Company Board, governing instruments or policies or affairs of the Company or any of its Subsidiaries or seeking to influence, advise or direct the vote of any holder of voting securities of the Company or its Subsidiaries or (C) make any public disclosure, or take any action that could require the Company to make any public disclosure, with respect to any of the matters set forth in this standstill other than in compliance with Section 3.1(v) of the Confidentiality Agreement. Nokia agrees that until the end of the Nokia Standstill Period, it shall not request that the Company (or its directors, officers, employees or agents) amend or waive any provision of this Annex 9 (*Standstill*) (including this sentence). Nokia represents to the Company that Nokia and its Subsidiaries do not beneficially own (within the meaning of Section 13(d)(1) of the Exchange Act) any securities of the Company as of the date of this MoU. Notwithstanding the foregoing, the Nokia Standstill Period shall terminate automatically upon (i) any Person or a 13D Group (A) becoming the beneficial owner (within the meaning of Section 13(d)(1) of the Exchange Act) of 15% or more of the outstanding equity securities of the Company entitled to vote in the normal course in the election of the board of directors ("**Company Equity Securities**") or (B) publicly announcing its intentions to make a tender or exchange offer that, if consummated, would make such Person or 13D Group (or any of its or their respective affiliates) the beneficial owner (within the meaning of Section 13(d)(1) of the Exchange Act) of 15% or more of the Company Equity Securities and the Company Board not recommending against shareholders tendering their shares into such offer within 10 business days after the commencement of such offer (or at any time thereafter at which it publicly takes a new position with respect to such offer), (ii) the Company entering into a definitive agreement with a third party to effectuate (A) a sale of 15% or more of the consolidated assets of the Company and its Subsidiaries or sale or issuance of 15% or more of the Company Equity Securities or any securities convertible into 15% or more of the Company Equity Securities or (B) a transaction (I) that, in whole or in part, requires the approval of the Company's shareholders and, (II) in which either (a) based on information publicly available at the time of announcement of the entering into of such agreement, the holders of the Company Equity Securities prior to such transaction will not own, immediately following such transaction, at least 80% of the equity securities entitled to vote in the normal course in the election of the board of directors of either (x) the corporation resulting from such transaction (the "**Company Surviving Corporation**"), or (y), if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of all of the outstanding equity securities entitled to vote in the normal course in the election of the board of directors of the Company Surviving Corporation or (b) the directors of the Company prior to such transaction would represent less than 2/3 of the total directors of the Company Surviving Corporation or, if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of all of the outstanding entitled to vote in the normal course in the election of the board of directors of the Company Surviving Corporation or (iii) any Person or a 13D Group commencing a proxy solicitation (or a similar process) pursuant to which such person or 13D Group seeks to replace at least 1/3 of the Company Board without the consent of the Company.

The Company agrees that, if this MoU has been terminated by Nokia pursuant to Section 8.2(e), Section 8.3(a) or Section 8.3(b), then for a period of the longer of (I) twelve (12) months following the date of such termination and (II) eighteen (18) months following the date of this MoU (the "**Company Standstill Period**"), it shall not, and shall cause its Subsidiaries not to (and it and its Subsidiaries will not assist or form a group within the meaning of Section 13(d)(3) (a "**13D Group**") of the Exchange Act, act in concert or participate with or encourage other Persons to), directly or indirectly, (A) acquire or offer to acquire, seek, propose or agree to acquire, by means of a purchase, tender or exchange offer, business combination or in any other manner, beneficial ownership (within the meaning of Section 13(d)(1) of the Exchange Act), including through any security, contract right or derivative position the value of which to the "owner" increases with an increase in the value of any equity securities (or other securities derived from the value of any equity securities) of Nokia, without regard to any hedge that may have been entered into with respect to such position, but not including any interests or rights set forth in Rule 16a-1(c)(1)-(5) or (7) under the Exchange Act, of any securities or assets of Nokia, including rights or options to acquire such ownership, (B) seek or propose to influence, advise, change or control the management, Company Board, governing instruments or policies or affairs of the Company or any of its Subsidiaries or seeking to influence, advise or direct the vote of any holder of voting securities of the Company or its Subsidiaries or (C) make any public disclosure, or take any action that could require the Company to make any public disclosure, with respect to any of the matters set forth in this standstill other than in compliance with Section 3.1(v) of the Confidentiality Agreement. The Company agrees that until the end of the Company Standstill Period, it shall not request that Nokia (or its directors, officers, employees or agents) amend or waive any provision of this Annex 9 (*Standstill*) (including this sentence). The Company represents to Nokia that the Company and its Subsidiaries do not beneficially own (within the meaning of Section 13(d)(1) of the Exchange Act) any securities of Nokia as of the date of this MoU. Notwithstanding the foregoing, the Company Standstill Period shall terminate automatically upon (i) any Person or a 13D Group (A) becoming the beneficial owner (within the meaning of Section 13(d)(1) of the Exchange Act) of 15% or more of the outstanding equity securities of Nokia entitled to vote in the normal course in the election of the board of directors ("**Nokia Equity Securities**") or (B) publicly announcing its intentions to make a tender or exchange offer that, if consummated, would make such Person or 13D Group (or any of its or their respective affiliates) the beneficial owner (within the meaning of Section 13(d)(1) of the Exchange Act) of 15% or more of the Nokia Equity Securities and the Nokia Board not recommending against shareholders tendering their shares into such offer within 10 business days after the commencement of such offer (or at any time thereafter at which it publicly takes a new position with respect to such offer), (ii) Nokia entering into a definitive agreement with a third party to effectuate (A) a sale of 15% or more of the consolidated assets of Nokia and its Subsidiaries or sale or issuance of 15% or more of the Nokia Equity Securities or any securities convertible into 15% or more of the Nokia Equity Securities or (B) a transaction (I) that, in whole or in part, requires the approval of Nokia's shareholders and, (II) in which either (a) based on information publicly available at the time of announcement of the entering into of such agreement, the holders of the Nokia Equity Securities prior to such transaction will not own, immediately following such transaction, at least 80% of the equity securities entitled to vote in the normal course in the election of the board of directors of either (x) the corporation resulting from such transaction (the "**Nokia Surviving Corporation**"), or (y), if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of all of the outstanding equity securities entitled to vote in the normal course in the election of the board of directors of the Nokia Surviving Corporation or (b) the directors of Nokia prior to such transaction would represent less than 2/3 of the total directors of the Nokia Surviving Corporation or, if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of all of the outstanding entitled to vote in the normal course in the election of the board of directors of the Nokia Surviving Corporation or (iii) any Person or a 13D Group commencing a proxy solicitation (or a similar process) pursuant to which such person or 13D Group seeks to replace at least 1/3 of the Nokia Board without the consent of Nokia.

Annex 6: French Commitments

[intentionally omitted]

Annex 7: Works Council

[intentionally omitted]

pwc

Independent auditor's assurance report on profit forecast included in the Listing Prospectus

To the Board of Directors of Nokia Corporation

We report in accordance with the Commission Regulation (EC) No 809/2004 Annex I item 13.2 on the profit forecast included in the section "*Operating and Financial Review and Prospects – Nokia – Prospects*" of Nokia Corporation's (the "Company") listing prospectus dated October 23, 2015 (the "Listing Prospectus"). The Listing Prospectus includes a profit forecast compiled by management of the Company according to which management estimates the full year 2015 net sales of Nokia Networks to increase year-on-year and the full year 2015 non-IFRS operating margin to be around the midpoint of the long-term range of 8% -11% and the full year 2015 net sales of HERE to increase year-on-year and the full year 2015 non-IFRS operating margin to be between 9 % and 12 % and the full year 2015 net sales of Nokia Technologies to increase year-on-year and the full year 2015 non-IFRS operating expenses to be approximately in line with Q2 2015 level.

Responsibility of the Board of Directors

The Board of Directors of the Company is responsible for the compilation of the profit forecast including the principal assumptions upon which it is based in accordance with the Commission Regulation (EC) No 809/2004.

Auditor's responsibility

Our responsibility is to express an opinion as to whether the profit forecast has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast is consistent with the accounting policies of the issuer.

We conducted our work in accordance with the instructions issued by the Finnish Institute of Authorised Public Accountants "Profit forecast and estimate – instructions for the auditor". We have not performed an audit or a review on the profit forecast included in the Listing Prospectus or on the information and assumptions used in the compilation of the profit forecast.

We planned and performed our work so that the evidence we have obtained is sufficient and appropriate to provide a reasonable assurance that the profit forecast has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast is consistent with the accounting policies of the Company.

Opinion

In our opinion, the profit forecast has been properly compiled on the basis stated and the basis of accounting used for the profit forecast is consistent with the accounting policies of the Company.

Qualifications and restriction on distribution and use of the report

Actual results may be different from the profit forecast since anticipated events frequently do not occur as expected and the variation may be material.

This report has been prepared solely to be included in the Listing Prospectus prepared in accordance with the Commission Regulation (EC) No 809/2004.

Helsinki October 23, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Independent auditor's assurance report on the compilation of the pro forma financial information included in the Listing Prospectus

To the Board of Directors of Nokia Corporation

We have completed our assurance engagement to report on the compilation of pro forma financial information of Nokia Corporation (the "Company"). The pro forma financial information comprises unaudited pro forma condensed combined statement of financial position as at June 30, 2015, unaudited pro forma condensed combined income statement for the six month period ended June 30, 2015 and for the year ended December 31, 2014 and related notes set out in the section "*Unaudited Pro Forma Combined Condensed Financial Information*" of the listing prospectus issued by the Company and dated on October 23, 2015 (the "Listing Prospectus"). The applicable basis used by the Board of Directors of the Company in compiling the pro forma financial information is specified in Annex II of Commission Regulation (EC) No 809/2004 and described in the section "*Unaudited Pro Forma Combined Condensed Financial Information*" of the Listing Prospectus.

The pro forma financial information has been compiled by the Board of Directors of the Company to illustrate the impact of the acquisition of Alcatel Lucent and the sale of Nokia's HERE business as set out in the section "Unaudited Pro Forma Combined Condensed Financial Information" of the Listing Prospectus on the Company's financial position as at June 30, 2015 and on the Company's financial performance for the six month period ended June 30, 2015 and for the year ended December 31, 2014, as if the acquisition of Alcatel Lucent and the sale of Nokia's HERE business had taken place on June 30, 2015 for the unaudited pro forma condensed combined statement of financial position and as if the acquisition of Alcatel Lucent had taken place on January 1, 2014 for the unaudited pro forma condensed combined income statements. The unaudited pro forma condensed combined income statements also give pro forma effect to the proposed sale of Nokia's HERE business by presenting it as discontinued operations. As part of this process, information about the Company's financial position and financial performance has been extracted by the Board of Directors of the Company from the Company's financial statements for the year ended December 31, 2014, on which an audit report has been published and the Company's interim report for the six month period ended June 30, 2015, on which no audit or review report has been published.

The Board of Director's responsibility for the pro forma financial information

The Board of Directors of the Company is responsible for compiling the pro forma financial information in accordance with the Commission Regulation (EC) No 809/2004.

The practitioner's responsibilities

Our responsibility is to express an opinion, as required by item 7 of Annex II of Commission Regulation (EC) No 809/2004, as to whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors of the issuer on the basis stated and whether that basis is consistent with the accounting pocies applied by the issuer.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3420) *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance as to whether the pro forma financial information has been compiled by the Board of Directors, in all material respects, in accordance with Commission Regulation (EC) No 809/2004.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of the pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis stated and that basis is consistent with the accounting policies of the issuer involves performing procedures to assess whether the basis used by the Board of Directors in the compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the basis stated has been consistently applied in the pro forma adjustments; and
- the resulting pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

- the pro forma financial information has been properly compiled on the basis stated in the section "*Unaudited Pro Forma Combined Condensed Financial Information*" of the Listing Prospectus dated October 23, 2015 and
- the basis stated is consistent with the accounting policies applied by the Company.

Restriction to the distribution of the report

This report has been issued solely for the purposes of including in the Listing Prospectus prepared in accordance with Commission Regulation (EC) No 809/2004.

Helsinki October 23, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila

Authorised Public Accountant

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