Altice France
(formerly SFR Group)

Consolidated Financial Statements

Year ended December 31, 2017

Altice France
16, av. du Gl Alain de Boissieu
75015 Paris

Consolidated Statement of Income

(in € millions)	Note	December 31, 2017	December 31, 2016
Revenues	**6**	**10,916**	**10,991**
Purchasing and subcontracting		(4,026)	(3,961)
Other operating expenses	7	(2,308)	(2,263)
Staff costs and employee benefit expenses	8	(877)	(945)
Depreciation, amortization and impairment		(2,754)	(2,435)
Non-recurring income and expenses	10	(980)	(432)
Operating income		**(28)**	**954**
Financial income		209	10
Cost of gross financial debt		(1,099)	(1,043)
Other financial expenses		(177)	(78)
Net financial income (expense)	11	**(1,068)**	**(1,111)**
Share in net income (loss) of associates		(11)	(4)
Income (loss) before taxes		**(1,107)**	**(161)**
Income tax income (expense)	12	392	(57)
Net income (loss) from continuing operations		**(715)**	**(218)**
Net income (loss) from discontinued operations		-	-
Net income (loss)		**(715)**	**(218)**
■ **Group share**		**(693)**	**(210)**
■ **Non-controlling interests**		**(22)**	**(8)**

Consolidated Statement of Comprehensive Income

(in € millions)	Note	December 31, 2017	December 31, 2016
Net income (loss)		**(715)**	**(218)**
Items that may be subsequently reclassified to profit or loss :			
Foreign currency translation adjustments		1	(1)
Cash-flow hedges		56	(369)
Related taxes	12.3	(25)	95
Other items related to associates		1	0
Items that will not be subsequently reclassified to profit or loss :			
Actuarial gain (loss)	27	1	(14)
Related taxes	12.3	0	5
Comprehensive income (loss)		**(681)**	**(502)**
Of which :			
Comprehensive income (loss), Group share		*(659)*	*(494)*
Comprehensive income (loss), Non-controlling interests		*(22)*	*(8)*

Consolidated Statement of Financial Position

(in € millions)	Note	December 31, 2017	December 31, 2016
Assets			
Goodwill	13	11,199	11,146
Intangible assets	14	6,666	7,600
Property, plant and equipment	15	6,424	6,021
Investments in associates	16	23	46
Non-current financial assets	17	736	2,131
Deferred tax assets	12	12	22
Other non-current assets	17	195	21
Non-current assets		**25,255**	**26,986**
Inventories	18	289	235
Trade and other receivables	19	3,616	3,212
Income tax receivable	12	151	159
Current financial assets	20	17	4
Cash and cash equivalents	21	451	452
Assets held for sale		(0)	59
Current assets		**4,524**	**4,121**
Total Assets		**29,779**	**31,107**

(in € millions)	Note	December 31, 2017	December 31, 2016
Equity and liabilities			
Share capital	22	444	443
Additional paid- in capital	22	5,403	5,388
Reserves	22	(2,920)	(2,221)
Equity attributable to owners of the company		**2,927**	**3,609**
Non-controlling interests	22	(85)	(37)
Consolidated equity		**2,841**	**3,572**
Non-current borrowings and other financial liabilities	23	16,854	17,171
Other non-current financial liabilities	23	248	325
Non-current provisions	25	480	840
Deferred tax liabilities	12	263	615
Other non-current liabilities	28	568	617
Non-current liabilities		**18,414**	**19,568**
Current borrowings and financial liabilities	23	351	485
Other current financial liabilities	23	1,107	1,155
Trade payables and other liabilities	29	6,045	5,139
Income tax liabilities	12	105	207
Current provisions	25	350	396
Other current liabilities	29	566	540
Liabilities directly associated to assets held for sale		(0)	46
Current liabilities		**8,524**	**7,968**
Total Equity & liabilities		**29,779**	**31,107**

Consolidated Statement of Changes in Equity

(in € millions)	Capital	Additional paid-in capital	Reserves	Other comprehensive income	Total	Non-controlling interests	Consolidated equity
	Equity attributable to owners of the company						
Position at December 31, 2015	**440**	**5,360**	**(1,461)**	**(84)**	**4,256**	**12**	**4,267**
Dividends paid	-	-	-	-	-	(8)	(8)
Comprehensive income	-	-	(210)	(283)	(494)	(8)	(502)
Issuance of new shares	2	28	-	-	30	-	30
Share-based compensation	-	-	4	-	4	-	4
Purchase of treasury shares	-	-	0	-	0	-	0
Capital decrease by cancellation of treasury shares	-	-	-	-	-	-	-
Other movements	-	-	(187)	-	(187)	(34)	(221)
Position at December 31, 2016	**443**	**5,388**	**(1,854)**	**(367)**	**3,609**	**(37)**	**3,572**
Dividends paid	-	-	-	-	-	(7)	(7)
Comprehensive income (loss)	-	-	(693)	34	(659)	(22)	(681)
Issuance of new shares	1	15	-	-	16	-	16
Share-based compensation	-	-	2	-	2	-	2
Purchase of treasury shares	-	-	1	-	1	-	1
Capital decrease by cancellation of own shares	-	-	-	-	-	-	-
Other movements *	-	-	(43)	-	(43)	(19)	(62)
Position at December 31, 2017	**444**	**5,403**	**(2,587)**	**(333)**	**2,927**	**(85)**	**2,841**

(*) of which compensation paid to SFR stock-options holders following the buyout offer: € 34 million (refer to Note 26- Share-based payments)

Breakdown of changes in equity related to other comprehensive income

(in € millions)	December 31, 2015	December 31, 2016	Change	December 31, 2016	December 31, 2017	Change
Hedging instruments	(129)	(498)	*(369)*	(498)	(442)	*56*
Related taxes	44	140	*95*	140	114	*(25)*
Actuarial gains and losses	3	(10)	*(14)*	(10)	(10)	*1*
Related taxes	(3)	1	*5*	1	2	*0*
Foreign currency translation adjustments	(1)	(2)	*(1)*	(2)	(1)	*1*
Items related to associates	2	3	*0*	3	3	*1*
Total	**(84)**	**(367)**	***(284)***	**(367)**	**(333)**	***34***

Consolidated Statement of Cash Flows

(in € millions)	Note	December 31, 2017	December 31, 2016
Net income, Group share		**(693)**	**(210)**
Adjustments:			
Non-controlling interests		(22)	(8)
Depreciation, amortization and provisions		2,511	2,577
Share in net income (loss) of associates	16	11	4
Net income from sale of property, plant and equipment and intangible assets	10	109	50
Net financial expense (income)	11	1,068	1,111
Income tax expense (income)	12	(392)	57
Other non-cash items		(28)	15
Income tax paid		(190)	(77)
Change in working capital		404	(141)
Net cash flow provided (used) by operating activities		**2,777**	**3,378**
Acquisitions of property, plant and equipment and intangible assets	14/15	(2,368)	(2,312)
Acquisition of consolidated entities, net of cash acquired		(154)	(736)
Acquisitions of other financial assets		(34)	(32)
Disposals of property, plant and equipment and intangible assets		26	38
Disposal of consolidated entities, net of cash disposals		43	0
Disposal of other financial assets		20	10
Change in working capital related to property, plant and equipment and intangible assets		(218)	(215)
Net cash flow provided (used) by investing activities		**(2,686)**	**(3,247)**
Purchases of treasury shares		2	0
Capital increase		16	30
Dividends paid		(7)	(8)
< *to owners of the company*		-	0
< *to non-controlling interests*		(7)	(8)
Dividends received		10	13
Issuance of debt		5,380	9,703
Repayment of debt		(4,803)	(9,578)
Interest paid		(833)	(630)
Other flows from financing activities (a)		118	508
Net cash flow provided (used) by financing activities		**(117)**	**40**
Net increase (decrease) in cash and cash equivalents		**(27)**	**171**
Exchange rate impact on cash in foreign currencies		**0**	**0**
Net cash and cash equivalents at beginning of period		**400**	**229**
Net cash and cash equivalents at end of period		**373**	**400**
of which cash and cash equivalents	21	*451*	*452*
of which bank overdrafts	23	*(78)*	*(52)*

(a) Of which € (215) million of commercial paper as of December 31, 2017; €182 million of Reverse Factoring; € 203 million of monetization of cross currency swaps.

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1. Basis of preparation of the consolidated financial statements

Altice France (formerly SFR Group) (hereinafter **"the Company" or "the Group")** is a limited liability corporation (*société anonyme*) formed under French law in August 2013 with headquarters in France.

Created subsequent to the merger of Numericable and SFR, the Group Altice France aims to become, on the back of the largest fiber optic network and a leading mobile network, the national leader in France in very-high-speed fixed-line/mobile convergence. The Group has major positions in all segments of the French B2C, B2B, local authorities and wholesale telecommunications market.

Altice France is also adopting a new and increasingly integrated model around access and content convergence. Its division Media includes SFR Presse companies, which cover the Group's Press activities in France (Groupe l'Express, Libération, etc) and NextRadioTV, which covers the Group's audiovisual activities in France (SFR Sport, BFM TV, BFM Business, BFM Paris, RMC, RMC Découverte, ...).

On August 9, 2017, Altice announced the finalization of several agreements to acquire Altice France shares by way of exchange for ordinary A shares of Altice N.V. Altice thereby passed the 95% threshold of Altice France's capital and voting rights.

On September 4, 2017, Altice filed a buyout offer, followed by a squeeze-out for the remaining Altice France shares for a price of €34.50 per share. On September 19, 2017, the AMF approved the proposed offer in its original form, without any modifications.

The buyout offer was opened from September 21, to October 4, 2017 included; the squeeze out was effective on October 9, 2017, date from which Altice France is no longer listed on Euronext Paris.

As of December 31, 2017, Altice N.V. directly or indirectly held 100% of the capital of Altice France S.A.

This Note describes the changes in the accounting principles adopted by the Group for the consolidated financial statements as of December 31, 2017.

The consolidated financial statements were prepared and approved by the Company's Board of Directors on March 15, 2018.

1.1. Basis of preparation of financial information

In accordance with French law, the consolidated financial statements will be considered final once they have been approved by the Group's shareholders at the Ordinary Shareholders' Meeting, which will be held in the second quarter of 2018.

The consolidated financial statements for the year ended December 31, 2017, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the accompanying notes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") published by the IASB (International Accounting Standard Board), as adopted by the European Union (EU) at December 31, 2017. These international standards include the IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC).

The accounting and valuation principles defined in the IFRS as adopted by the European Union are available on the following website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

In addition, following the take private, the notes "Earning per share" and "Segment information" will no longer be disclosed. IFRS 8 – *operating segments* and IAS 33 – *Earnings per share* are only applied on financial statements of companies issuing shares or bonds listed on a regulated market.

1.2. New standards and interpretations

Standards and interpretations applied from January 1, 2017

The application from January 1, 2017 of the mandatory standards and amendments (listed below) had no material impact on the Group's annual consolidated financial statements:

- Amendments to IAS 7 – *Disclosure initiative:* The amendments will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, while distinguishing cash and non-cash flows. The Group has provided disclosure in compliance with this amendment, allowing users of the financial statements to reconcile the variations in liabilities and related amounts recorded in the consolidated statement of cash flows (refer to Note 23.7 – *Reconciliation between change on financial liabilities and flows related to financing*)
- Amendments to IAS 12 – *Recognition of deferred tax assets for unrealized losses.* The amendments clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value, in order to address the differences in current market practices.
- Annual Improvements cycle 2014-2016: mainly the standard IFRS12 – *Disclosures of interests in other entities,* clarifying the scope of the disclosure requirements.

Standards and interpretations not yet applied

The Group has not early adopted the following standards and interpretations, for which application is not mandatory for period started from January 1, 2017 and that may impact the amounts reported.

- IFRS 15 Revenue from Contracts with Customers, effective on January 1, 2018;
- IFRS 9 Financial Instruments, effective on January 1, 2018;
- IFRS 16 Leases, effective on January 1, 2019;
- Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions, applicable on or after January 1, 2018;
- IFRIC 22: Foreign Currency Transactions and Advance Consideration. The interpretation is applicable for annual periods beginning on or after January 1, 2018 with earlier application permitted;
- Annual improvements cycle 2014-2016, effective on or after January 1, 2018;
- IFRIC 23: Uncertainty over Income Tax Treatments, applicable for annual periods beginning on or after January 1, 2019.

The effects of implementing the new standards, and amendments to standards, are being analyzed by the Group. Details on IFRS 15, IFRS 9 and IFRS 16 are provided below. It is not practicable to provide a reasonable estimate of the quantitative effects of IFRS16 until the project has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive 5-step model to account for revenue arising from contracts with customers. IFRS 15 will supersede all current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
Under IFRS 15, an entity recognizes revenue when 'control' of the goods or services is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific situations. Furthermore, extensive disclosures are required by IFRS 15. In addition, in April 2016, the IASB issued Clarifications to IFRS 15 in response to feedback received by the IASB and FASB Joint Transition Resource group for Revenue recognition. The clarifications provide additional guidance on identifying performance obligations, principal versus agent consideration and licensing application guidance.

The standard (as amended in April 2016) is effective for annual periods beginning on or after January 1, 2018. The Group is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and have the option to either:

- restate each prior period and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented (full retrospective approach); or

- retain prior period figures as reported under the previous standards and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. This approach will also require additional disclosures in the year of initial application to explain how the relevant financial statement line items would be affected by the application of IFRS 15 as compared to previous standards.

The Group has decided to adopt the standard based on the full retrospective approach.
The Group has implemented a comprehensive project across geographic areas to determine the potential differences with current revenue recognition. The issue identification phase is complete and the implementation plan has been finalized.

Mobile activities:

The most significant impact is expected in the mobile activities (B2C and B2B transactions) as some arrangements include multiple elements that are being bundled: a handset component sold at a discounted price and a communication service component. In application of IFRS 15, the group has identified those items as separate performance obligations. Total revenue will be allocated to both elements based on their stand-alone selling price, leading to more revenue being allocated to the handset upfront. This will also impact the timing of revenue recognition as the handset is delivered up-front, even though total revenue will not change in most cases over the life of the contract.
Other IFRS 15 topics impacting the accounts include capitalization of commissions (including prepaid and renewal commissions which will be broader than the current capitalization model, along with depreciation pattern which will require estimates relating to the contract duration in some instances (prepaid business for example).

Fixed activities

In most cases, the service and the equipment will not be considered as distinct performance obligations. Additional services will be examined separately.
Other identified topics relate to connection fees, related costs and capitalization of commissions. Related estimates include the determination of capitalized assets depreciation period based (i) on contract period and (ii) possible additional periods related to anticipated contract that the Group can specifically identify.

The best estimate of the quantitative impact is detailed below:

- Shareholders' equity as of December 31, 2016 would increase by approximately €251.0 million after deferred tax effect mainly due to the mobile handsets subsidies contract assets and the effect of the change in commission capitalization and amortization pattern,
- Revenue and adjusted EBITDA would decrease by approximately €95 million and €78.0 million, respectively, for the year ended December 31, 2017. The impact is mainly linked to:
    - The handsets subsidies adjustments as described above. The decrease in the revenue and adjusted EBITDA is mainly explained by a decrease in the sale of mobile bundles offers over the last years.
    - Change in the scope of commissions that will be capitalized under IFRS 15 as described above.

- Thus net result for the year ended 2017 would decrease by approximately €69.0 million

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments issued on July 24, 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting regarding financial instruments. The Group will implement the standard based on the simplified retrospective approach; the transition impact will be recorded in equity as of January 1, 2018 with no impact on 2017.

To date, the impacts identified on equity are not significant.

IFRS 16 Leases

IFRS 16 Leases issued on January 13, 2016 is the IASB's replacement of IAS 17 Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The Group has the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application (simplified retrospective approach).

The Group has decided to apply the simplified retrospective approach and the transition impact will be recorded in equity as of January 1, 2019 with no impact on 2018.

The Board of Directors anticipate that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, especially given the different operating lease arrangements of the Group. The effects are analyzed as part of a Group-wide project for implementing this new standard. The assessment phase is under progress and it is not yet practicable to provide a reasonable estimate of the quantitative effects until the projects have been completed.

2. Accounting policies and methods

2.1 Consolidation methods

The list of entities included in the scope of consolidation is presented in Note 34 – *List of Consolidated Entities.*

Consolidated entities

The new model of control, defined by IFRS 10 – *Consolidated Financial Statements,* is based on the following three criteria, which must be met simultaneously in order to determine the exercise of control by the parent company:

- The parent company has power over the subsidiary when it has effective rights that give it the ability to direct the relevant activities - i.e., the activities that significantly affect the subsidiary's returns. Power may arise from existing and/or potential voting rights and/or contractual arrangements. Voting rights must be substantial - i.e., they must be able to be exercised when decisions about the relevant activities are to be made without limitation and particularly in decision-making on relevant activities. Assessing how much power is held depends on the subsidiary's relevant activities, its decision-making process and the way the rights of its other shareholders are distributed;
- The parent company is exposed or entitled to variable returns due to its connections to the subsidiary, which may vary according to its performance. The concept of return is defined broadly, and includes dividends and other forms of distributed financial benefits, the valuation of the investment, cost savings, synergies, etc.;
- The parent company has the ability to use its power to affect the subsidiary's returns. Any power that does not entail this kind of influence does not qualify as control.

These entities are consolidated using the full consolidation method.

Full consolidation method

This method involves consolidating in the financial statements the items in the statement of financial position, the statement of comprehensive income and the statement of cash flows of the entities controlled within the meaning of IFRS 10, completing any restatements, eliminating intragroup transactions and accounts, as well as internal results, and allocating the shareholders' equity and income between the parent company interests and non-controlling interests.

Consolidated comprehensive income includes the income of subsidiaries acquired during the year, prorated from their date of acquisition. The income of subsidiaries sold during the same period is included until the date of their sale.

Interests that do entail control over the subsidiaries' net assets are presented in a separate caption in shareholders' equity called "Non-controlling interests". They include non-controlling interests as of the takeover date and the non-controlling interests' share in the change in shareholders' equity as from that date. Subject to arrangements that would indicate a different allocation, negative results of subsidiaries are systematically allocated between equity attributable to owners of the parent company and non-controlling interests based on their respective share of ownership interest, even if it becomes negative.

Joint Arrangements

IFRS 11 – *Joint Arrangements* provides financial reporting guidelines for entities that hold interests in joint arrangements. In a joint arrangement, the parties are bound by a contractual arrangement that gives them joint control of the company. The entity that is party to a joint arrangement must therefore determine if the contractual arrangement gives all the parties, or a group of some of them, joint control over the company. The existence of joint control is then assessed for decisions about the relevant activities that require the unanimous consent of the parties that jointly control the company.

Joint arrangements are classified into two categories:

- Joint undertakings (or joint operations); these are arrangements in which the parties that have joint control over the company have direct rights to its assets and obligations for its liabilities. The parties are called the "joint investors." The joint investor recognizes 100% of the joint operation's assets/liabilities/expenses/income that it owns itself and the share of the items that it owns jointly. These arrangements involve joint investment agreements signed by the Group.
- Joint ventures: these are partnerships in which the parties that have joint control over the company have rights to its net assets. The parties are called the "co-owners." Each co-owner recognizes its rights to the net assets of the entity using the equity method (see paragraph below).

Associates

Associates in which the Group has significant influence are accounted for using the equity method. Significant influence is presumed to exist when the Group directly or indirectly holds 20% or more of the voting rights of an entity, unless it can clearly show that this is not the case. The existence of significant influence can be shown by other criteria such as representation on the Board of Directors or the governing body of the jointly held entity, participation in policy-making processes, the existence of material transactions with the entity, or the sharing of management personnel.

Equity method

Under the equity method, investments in associates and joint ventures are stated at acquisition cost, including goodwill and transaction costs. Earn-out initially measured at fair value are recognized in the cost of the investment, where their payments can be measured with sufficient reliability.

The Group's share in the net income of associates and joint ventures is recognized in the consolidated statement of income while its share in the movements of reserves after acquisition is recognized in reserves. Post-acquisition movements are adjusted against the value of the investment. The Group's share in the net losses of associates and joint ventures is recognized to the extent of the investment made, unless the Group has a legal or constructive obligation of support for the undertaking.

Any surplus of the cost of acquisition over the Group's share in the net fair value of the identifiable assets of the associate recognized at the date of acquisition is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is taken into account in impairment testing on that asset.

2.2 Foreign currency translation

The Consolidated Financial Statements are presented in euros, the functional currency of a vast majority of Group companies and of the parent company. All financial data are rounded to the nearest million euros.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are recognized in profit or loss for the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognized in profit or loss.

2.3 Revenue

Revenue from the Group's activities mainly consists of services (telephone packages, TV subscriptions, high-speed Internet, telephony and installation services), equipment sales and telecommunications network leases.

Since the acquisitions of Altice Media Group France (became SFR Presse) and NextRadioTV during the fiscal year 2016, revenue from the Group's activities integrates products such as magazines and dailies, advertising revenues and other related services.

Revenue corresponds to the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intragroup sales between entities included in the scope of consolidation.

Income is recognized and presented as follows, in accordance with IAS 18 – *Revenue*.

Equipment sales

Proceeds from equipment sales are recognized as revenue upon transfer of the risks and rewards of ownership to the purchaser.

Separable elements of a bundled offer

Revenue from telephone packages is recognized as a sale with multiple elements. Revenue from the sale of handsets (mobile phones and other) is recognized upon activation of the line, net of discounts granted to the customer at the point of sale and activation fees. Revenue recognized for the sale of equipment (handsets in particular) only includes the contractual amount paid, independently of the service.

Where the elements of such transactions cannot be identified or analyzed as separable from a larger offer, they are considered to be related and the associated revenue is recognized in its entirety over the term of the contract or the expected duration of the customer relationship.

Services

Proceeds from subscriptions (Internet access, basic cable service, digital pay TV) and telephone payment plans (fixed or mobile) are recognized on a straight-line basis over the duration of the relevant service.

The Group sells some telephone payment plans that allow the unused call minutes for a given month to be rolled over to the following month. Roll-over minutes are recognized for the share of revenue they represent in the telephone subscription at the time they are actually used or when they expire. Revenue on incoming and outgoing calls as well as on calls made outside plans is recognized when the service is rendered.

Revenue generated by the coupons sold to distributors and prepaid Mobile cards is recognized as and when the end customer uses them, starting when such coupons and cards are activated. The unused balance is recorded in deferred income at the closing date. The proceeds in any event are recognized on the date of the card's expiration or when use of the coupon is statistically improbable.

Sales of subscription services managed by the Group on behalf of content providers (mainly special numbers and SMS+) are recognized gross, or net of payments made to content providers based on the analysis of each transaction. Accordingly, revenue is recognized net when suppliers are responsible for the content delivered to end customers and for setting the subscription rates.

Connection and installation fees billed mainly to operators and business customers during the implementation of services such as ADSL connection, bandwidth capacity or IP connectivity are recognized over the estimated duration of the customer relationship and of the main service supplied, based on statistical data.

Installation and set-up services (including connection) for residential customers are recognized as revenue when the service is rendered.

Revenue related to switched services is recognized as and when traffic is routed.

Revenue from services for bandwidth capacity, IP connectivity, local high-speed access and telecommunications is recognized as and when the services are rendered to customers.

Access to telecommunications infrastructure

The Group provides access to its telecommunication infrastructure to its wholesale customers through various types of contracts: leases, hosting contracts or the granting of indefeasible rights of use (or "IRUs"). IRU agreements grant the use of property (cables, fiber optics or bandwidth) over a defined, usually long duration, with the Group retaining ownership. Revenue from lease agreements, hosting contracts in Netcenters and infrastructure IRUs is recognized over the term of the contract, except when they qualify as finance leases; in this case, the equipment is accounted for as sales on credit. In the case of IRUs and sometimes leases or service contracts, the service is paid in advance for the first year. These non-refundable prepayments are recorded as deferred income and amortized over the expected life of the contract.

Infrastructure sales

The Group builds infrastructure for some of its customers. Revenue relating to infrastructure sales is recognized upon the transfer of ownership. When it is estimated that a contract will be unprofitable, a provision for onerous contract is booked.

Loyalty programs

In application of IFRIC 13 - *Customer Loyalty Programs*, the Group measures the fair value of the incremental benefit granted as part of its loyalty programs. For the periods presented, this value is not material, so no revenue has been deferred under it.

Press

The Group produces news on various themes (general information, economy, culture, etc.) across three media sources: magazine and daily press, digital press and television. Advertising revenue is recognized in the period in

which the advertising services are performed. Operator distribution royalties are recognized and prorated over time. Revenue from other activities is recognized when the service is performed, either on delivery of the performance of the event or the service, or at the time goods are delivered.

Radio and television

The Group produces news on five themes (general information, sports, economy, high-tech and discovery) via three types of media: radio, television and digital.
This income essentially represents advertising revenue and other related services. Advertising revenue is recognized as income when the advertising has effectively been broadcasted. Royalties and subsidies are recognized as they are acquired in accordance with the terms of the underlying agreement.

2.4 Adjusted EBITDA

Adjusted EBITDA is an indicator used internally by Management to measure the Company's operational and financial results, to make investment and resource-allocation decisions, and to assess the performance of management personnel. It excludes the main items that have no effect on cash (such as depreciation, amortization and impairment) and non-recurring transactions.

Non-recurring operations are defined as follows:

- Other non-recurring income mainly include income from disposals of property, plant and equipment and other income identified as an exceptional nature, and not supposed to occur from one year to the other.
- Other non-recurring expenses mainly include the net carrying amount on disposal of assets, fees related to refinancing and acquisitions, restructuring costs and other expenses identified as an exceptional nature, and not supposed to occur from one year to the other.

Adjusted EBITDA may not be comparable with similarly named measures used by other entities. For the purpose of segment information, the transition from operating income to Adjusted EBITDA is presented in Note *7 – Reconciliation of operating income to adjusted EBITDA.*

2.5 Financial income and expenses

Financial income and expenses primarily comprise:

- Interest expenses and other expenses paid for financing transactions recognized at amortized cost and changes in the fair value of interest rate derivative instruments that do not qualify as hedges within the meaning of IAS 39 – Financial Instruments: Recognition and Measurement;
- Interest income relating to cash and cash equivalents.
- Monetization of cross currency swaps

2.6 Corporate income tax

Income tax expense comprises current, deferred tax and the contribution of added value of businesses. Current tax is the tax payable on the taxable income for the year, estimated using tax rates enacted or substantively enacted at the reporting date, at the contribution of added value of businesses and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences on the closing date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and (iii) investments in subsidiaries, joint ventures and associates when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not be reversed in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, in accordance with the rules in effect at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities when the taxable entity intends to settle current tax liabilities and assets on a net basis or when tax assets and liabilities are to be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in tax legislation and the possibility of recovering deductible temporary differences and tax losses. A deferred tax asset is recognized when it is probable that future taxable profits against which the temporary difference can be utilized will be available.

2.7 Investment grants

Investment grants received are deducted from the gross carrying amount of property, plant and equipment to which they relate. They are recognized in the income statement as a reduction in the depreciation charge over the useful life of the related assets.

2.8 Site restoration

The Group has a contractual obligation to restore the network sites (both mobile and fixed) at the end of the lease, should the latter not be renewed. Due to this obligation, the capitalization of the costs of restoring the sites is calculated based on:

- an average unit cost of site remediation,
- assumptions about the life of the dismantling assets, and
- a discount rate.

2.9 Goodwill and business combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquired business are recognized at their fair value at the acquisition date.

The consideration transferred corresponds to the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. 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, and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognized in assets in the consolidated statement of financial position. When the difference is negative, it is directly recognized through profit or loss.

The secondary costs directly attributable to an acquisition giving control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with IAS 32 – *Financial Instruments: Presentation* and IAS 39 – *Financial Instruments: Recognition and Measurement.*

When goodwill is determined provisionally at the end of the period in which the combination is effected, any adjustments to the provisional values within 12 months of the acquisition date are recognized in goodwill.

Changes in the Group's share of ownership of equity securities in a subsidiary which do not lead to a loss of control over the latter are recognized as shareholders' equity transactions.

Goodwill resulting from the acquisition of associates and joint ventures is included in the carrying amount of the investment.

Goodwill is not amortized, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note *13 – Goodwill and Impairment Tests.*

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

Specific case of business combination under common control

Business combination under common control are combinations in which all of the combination (entities or businesses) are controlled by on party (or several), i) during a long period before and after the combination, ii) this control as defined in IFRS10 – Consolidated financial statements is not temporary.

These combinations are excluded from IFRS3 R scope. These operations in the consolidated financial statements are prepared on historical cost basis. No new goodwill is generated and the difference between the acquisition price and the historical carrying value related to assets and liabilities of the acquired entity is recognized in equity.

2.10 Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recognized at historical cost less accumulated amortization and any accumulated impairment losses.

Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use. Intangible assets consist mainly of operating licenses, IRUs, patents, purchased software, and internally developed applications.

They have also included, since January 1, 2015, the customer acquisition cost for packages with commitments, in accordance with IAS 38 – *Intangible Assets* and in line with standards to be issued.

Licenses to operate telephone services in France are recognized for the fixed amount paid for the acquisition of the license. The variable portion of license fees, which amounts to 1% of the revenue generated by these activities, cannot be reliably determined and is therefore expensed in the period in which it is incurred.

- The UMTS license is recognized at historical cost and amortized on a straight-line basis from the service activation in June 2004 to the end of the license period (August 2021), corresponding to its expected useful life;
- The GSM license, renewed in March 2006, is recognized at the present value of 4% of the fixed annual fee of €25 million, and amortized on a straight-line basis from that date until the end of the license period (March 2021), corresponding to its expected useful life;
- The LTE license is recognized at historical cost and is amortized on a straight-line basis from the service activation date until the end of the license period. The 2.6 GHz band license acquired in October 2011 is amortized as of the end of November 2012 (end of license: October 2031). The 800 MHz band license acquired in January 2012 was activated on June 3, 2013 and is being amortized over a remaining duration of 18 years (end of license: January 2032). SFR acquired a new license for the 700 MHz band in December 2015 (end of license: December 2035). This license has not yet been activated.

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fiber or dedicated wavelength bandwidth, and the duration of the right is for the majority of the underlying asset's useful life. They are amortized over the shorter of the expected period of use and the life of the contract between 3 and 30 years.

Patents are amortized on a straight-line basis over the expected period of use (generally not exceeding 10 years).

Software is amortized on a straight-line basis over its expected useful life (which generally does not exceed 3 years).

Internally developed intangible assets

The acquisition cost of an intangible asset developed internally corresponds to the personnel costs incurred when the intangible asset meets the criteria for IAS 38 - *Intangible Assets*. An intangible asset that results from the development of an internal project is recorded if the Group can demonstrate that all of the following conditions have been met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention of completing the intangible asset and using or sell it;
- Its ability to use or sell the intangible asset;
- The capacity of the intangible asset to generate probable future economic benefits;
- Among other things, the Group may demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, its usefulness;
- The availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset;
- Its ability to reliably measure the expenditures attributable to the intangible asset during its development.

Capitalization of costs ceases when the project is finalized and the asset is available for use.

The cost of an internally developed intangible asset arising from the development phase of an internal IT project is amortized on a straight-line basis over its expected useful life (which is generally not greater than three years).

Intangible assets recognized in a business combination

During business combinations, intangible assets were recognized and measured at their fair value at the "acquisition date" according to IFRS 3 R :

- Customer bases : bases are amortized over their useful life from five to nine years ;
- Telecom brands : SFR brand, main brand, initially amortized over 15 years, is amortized from the end-2017 over a residual life of five years (Refer to Note 14 – *Other intangible assets*);
- Press brands : these brands are not amortizable;
- Broadcasting rights : they are amortized over a life from five to ten years, depending on programs.

Investments made under public service concessions or delegations

Investments made as part of public service concessions or delegations and related to the roll-out of the telecommunications network are recognized as intangible assets in accordance with IFRIC 12 - *Service Concession Arrangements*.

The “intangible model” provided by this interpretation applies when the operator receives a right to charge users of the public service and is substantially paid by the user. Intangible assets are amortized over the shorter of the estimated useful life of the relevant asset categories and the duration of the concession.

2.11 Property, plant and equipment

Property, plant and equipment are measured at historical cost less cumulative depreciation and impairment losses.

Historical cost includes the acquisition cost or the production cost, the costs directly attributable to using the asset on the site and to its conditions of operation, and the estimated costs of dismantling and removing the asset and remediating the site where it is installed, in line with the obligation incurred. In addition, borrowing costs attributable to qualifying assets whose construction period is longer than one year are capitalized as part of the cost of that asset. Conversely, subsequent maintenance costs (repairs and maintenance) of the asset are recognized in profit or loss. Other subsequent expenditures that increase productivity or the life of the asset are recorded as assets.

Material components of property, plant and equipment whose useful lives are different are recognized and depreciated separately.

Property, plant and equipment mainly comprise network equipment.

The main useful lives are as follows:

Technical buildings and constructions	15 to 25 years
Network equipment :	
Optical cables	30 to 40 years
Engineering facilities, pylons	20 to 40 years
Other equipment	4 to 15 years
Set-top box and access fees	3 to 5 years
Furniture and fixtures	5 to 10 years
Miscellaneous equipment	2 to 5 years

Estimated useful lives are reviewed regularly and any changes in estimates are recorded prospectively.

Materials and telecommunications equipment are investments that are strongly subject to technological changes: write-offs or impairments with prospective revision of the amortization period may be recognized if the group has to prematurely write off certain technical equipment or if it is forced to revise the projected useful life of certain categories of equipment.

Gains or losses on disposal of property, plant and equipment are the difference between the profit from the disposal and the carrying amount of the asset, and are recognized in the caption “Non-recurring income and expenses” of the consolidated statement of income.

FTTH deployment

Decision No. 2009-1106 of *Autorité de Régulation des Communications électroniques et des Postes* (Regulatory Authority on Electronic Communications and Postal Services (ARCEP)) dated December 22, 2009 regulates the use of fiber optics in very densely populated areas by establishing joint investment rules between phone operators.

The reference offers issued by the operators in accordance with this decision are dealt with in IFRS by the application of IFRS 11 – *Joint Arrangements*. Thus, when the Group is an *ab initio* joint investor, only its share of the assets is recorded in property, plant and equipment, and when the Group is an *a posteriori* investor, the IRU or the usage right is recognized in property, plant and equipment. The same treatment applies for joint investment in moderately dense areas defined by ARCEP.

2.12 Leases

Under IAS 17 – *Leases*, leases are classified as finance leases whenever the terms of the lease substantially transfer the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables in the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are expensed in the period in which they are incurred.

Operating lease payments are expensed on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred. In the event that incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.13 Impairment of assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, of other intangible assets or property, plant and equipment, the Group re-examines the value of these assets. Besides, the residual life of customer bases and amortizable brands is analyzed whenever there is any indication that an asset may be impaired. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress undergo an annual impairment test.

Impairment tests are performed in order to compare the recoverable amount of an asset or a Cash-Generating Unit ("CGU") with its carrying amount.

An asset's or CGU's net recoverable amount is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those derived from other assets or groups of assets. In that case, the recoverable amount is determined for the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Given the change in the Group and the significant pooling of assets and services within the Group, a single CGU is defined at the Group level. For the purposes of goodwill impairment testing, in conformity with IAS 36, goodwill is allocated as a value to each operating segment (see Note *13.1 – Change in Goodwill*), and shared assets and liabilities are allocated through distribution keys to each of the operating segments (see Note *13.3 – Main Assumptions Used).* The principal allocation keys used to allocate shared assets and liabilities are based on revenues, use of the network or the information systems.

The value in use of each asset or group of assets is determined as the present value of future cash flows (discounted cash flow method or "DCF") by using a discount rate after tax specific to each asset or group of assets concerned.

The fair value less costs to sell is the amount obtainable on the measurement date from the sale of the asset or group of assets in an ordinary transaction between market participants, less costs to sell.

When the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized in the "Depreciation, amortization and impairment" caption of the consolidated statement of income. Only impairment losses recognized on assets other than goodwill such as depreciable intangible assets, intangible assets with indefinite useful lives and property, plant and equipment may be reversed.

2.14 Non-derivative financial assets

Pursuant to the provisions of IAS 39, financial assets are classified in one of the four categories:

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

Purchases and sales of financial assets are recognized on the transaction date, the date on which the Group has committed to purchase or sell the assets.

A financial asset is classified as current when the maturity of the instrument's expected cash flows is less than one year.

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value. Gains and losses on available-for-sale financial assets are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that the investment classified as equity instruments has permanently or significantly lost all or some of its value, when the cumulative gain or loss previously recorded in income and expenses recognized directly in other comprehensive income is transferred to the income statement.

This category consists mainly of non-consolidated equity interests.

These assets are included in the statement of financial position under non-current financial assets, unless Management intends to dispose of the investment within twelve months of the statement's date.

Loans and receivables

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, they are measured at amortized cost using the effective interest method.

This category consists mainly of trade receivables and other receivables and other assets such as deposits and advances to associates.

If there is objective evidence that an impairment loss has been incurred, its amount is calculated as the difference between the carrying amount of the financial assets and the value of future estimated cash flows, discounted at the original effective interest rate, with the difference being recognized in profit or loss. Impairment losses may be reversed if the recoverable amount of the asset subsequently increases.

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest method.

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired. In this case, the impairment is recognized through profit or loss.

Financial assets measured at fair value through profit or loss

These financial assets are measured at fair value, with gains and losses recorded in the Consolidated statement of income.

This category mainly includes:

- assets held for trading that the Group intends to sell in the near future (primarily marketable securities);
- assets voluntarily classified at inception in this category;
- derivative financial assets.

2.15 Inventories

Inventories primarily consist of mobile devices, set-top boxes and technical equipment. They are valued at their acquisition cost or at their net recoverable amount, if it is lower. The acquisition cost is calculated according to the weighted average cost. It includes the cost of acquiring the materials.

Net recoverable amount is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.16 Cash and cash equivalents

The "Cash and Cash Equivalents" heading includes bank balances, money-market UCITS which meet the specifications of AMF Position No. 2011-16, and very liquid short-term investments, which have an original maturity date that is less than or equal to three months, which can be easily converted to a known cash amount, and are subject to a negligible risk of change in value.

Investment securities are measured at their fair value through profit or loss.

2.17 Assets held for sale and discontinued operations

In accordance with IFRS 5 - *Non-current assets held for sale and discontinued operations*, the Group qualifies an asset (or a group of assets) held for sale when:

- The asset is available for immediate sale in its current estate, subject to any conditions that are usual in such disposals of assets,

- The sale is highly probable,
- Its carrying amount may be recovered principally through its disposal and not by its continued utilization.

When all conditions of qualifications have been met the Group reclassifies the assets held for sale in a separate caption in the consolidated statement of financial position without offsetting liabilities related to assets held for sale, those are presented in a separate caption from other liabilities in the consolidated statement of financial position.

In addition, if the asset or the group of assets for sale is significant, its contribution is presented :

- In the consolidated statement of income in a separate caption under the net income from continuing information;
- In the consolidated statement of cash flows in a separate caption in the net cash flow provided (used) by operating activities, investing activities, and financing activities.

2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the contractual arrangement.

Equity instruments

An equity instrument is any contract resulting in a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recorded for the proceeds received, net of direct issuance costs.

Financial liabilities

Financial liabilities other than derivatives mainly include bonds and term loans taken out in connection with the acquisition of SFR, liabilities related to finance leases, guarantee deposits received from customers, advances received and bank overdrafts.

They are measured at amortized cost, using the effective interest method, in conformity with IAS 39. The effective interest rate corresponds to the internal interest rate used to precisely update future cash flows throughout the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument. Accrued interest is included in the “Current liabilities” caption of the statement of financial position.

2.19 Derivative instruments

The Group uses various derivative instruments to hedge its exposure to foreign exchange rate fluctuations.

Derivatives are initially recognized at fair value on the date of execution of a derivative contract, and are subsequently revalued at their fair value on each closing date.

Hedge accounting is applicable if:

- The hedging relationship is clearly defined and documented at the date of establishment;
- The effectiveness of the hedging relationship is demonstrated at its inception and in subsequent periods: i.e., if at the beginning of the hedge and throughout its duration, the Group expects that the changes in fair value of the hedged item will be almost fully offset by changes in the fair value of the hedging instrument, and if actual results are within a range between 80% and 125%.

There are three types of hedge accounting:

- The fair value hedge is a hedge against exposure to changes in the fair value of a recognized asset or liability, which are attributable to a rate and/or currency risk and which would affect the result. The hedged portion of these items is remeasured at fair value in the statement of financial position. The change in fair value is recognized in the income statement where it is offset within the limits of the effectiveness of the hedge by symmetrical changes in the fair value of hedging instruments;
- The cash flow hedge is a hedge of the exposure to cash flow fluctuations attributable to interest rate risk and/or changes associated with a recognized asset or liability or a highly probable forecast transaction (e.g., an expected sale or purchase) and could affect profit. The hedged item is not recorded in the statement of financial position; thus the effective portion of the change in fair value of the hedging instrument is recognized in other comprehensive income. It is reclassified in profit or loss when the hedged item affects profit or is reclassified in the initial cost of the hedged item where it concerns covering acquisition cost of a non-financial asset;
- The net investment hedge is a hedge against exposure to changes in value attributable to the foreign currency risk of a net investment in a foreign operation that could affect profit when the investment is sold. The effective

portion of net investment hedges is recognized through other comprehensive income and reclassified in profit or loss when the net investment is sold.

The cessation of hedge accounting may result in particular from the elimination of the hedged item, voluntary termination of the hedging relationship, or the cancelation or maturity of the hedging instrument. The accounting consequences are as follows:

- For fair value hedges: the fair value adjustment of debt at the date of cessation of the hedging relationship is amortized based on a recalculated effective interest rate on that date;
- For cash flow hedges: the amounts recorded in other comprehensive income are reclassified into profit or loss when the hedged item is eliminated. In other cases, they are taken straight to profit or loss over the remaining term of the hedging relationship as originally defined.

In both cases, the subsequent changes in value of the hedging instrument are recognized in profit or loss.

2.20 Provisions

Under IAS 37 - *Provisions, Contingent Liabilities and Assets,* provisions are booked when, at the end of the reporting period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events and it is probable that an outflow of resources generating economic benefits will be required to meet the obligation and that the amount can be reliably estimated.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money, taking into account the risks attached to the liability as appropriate. If a reliable estimate of the amount of the obligation cannot be made, no provision is recognized and a disclosure is made in the notes.

Provisions mainly include:

- Provisions to cover litigation and disputes concerning the Group's activities. Their amounts are estimated based on a case-by-case risk assessment. Events occurring during proceedings may lead at any time to a reassessment of such estimates;
- Provisions for restructuring, which are booked once the restructuring has been announced and a plan has been detailed or launched. Such provisions are generally not discounted due to their short-term nature;
- Provisions for site remediation, which are assessed based on the number of sites involved, an average unit cost of site remediation and assumptions about the life of the decommissioning asset and the discount rate. When a site is decommissioned, the corresponding provision is reversed;
- Provisions for employee benefits are detailed in the following section.

2.21 Employee benefits

The Group provides employee benefits through contributions to defined-contribution plans and defined-benefit plans. The Group recognizes pension costs related to defined-contribution plans as they are incurred under personnel expenses in the consolidated statement of income.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of revised IAS 19 - *Employee Benefits* ("IAS 19R"), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turnover of beneficiaries, salary increases, projected life expectancy, the probable future length of employees' service and an appropriate discount rate updated annually.

The Group recognizes the corresponding net expense over the entire estimated period of service of the employees. The actuarial gains and losses on post-employment benefits are recognized in their entirety as "Other items of comprehensive income" in the period in which they occur.

The cost of the plans is recognized through operating income, with the exception of the accretion cost, which is recognized as other financial expenses and income.

The cost of past services generated by plan changes and reductions is recognized immediately and in full in the Consolidated Statement of Income.

2.22 Share-based payments

The Group has granted options that will be settled as equity instruments. In accordance with IFRS 2 – *Share-based Payments,* the benefit granted to employees under stock option plans, assessed at the time of the award of the option, is additional compensation.

Plans granting instruments settled as equity instruments are measured at the grant date based on the fair value of the equity instruments granted. They are recognized on a straight-line basis as personnel expenses over the vesting

period, taking into account the Group's estimate of the number of options that will vest at the end of the period. In addition, for plans based on non-market performance conditions, the probability of achieving the performance objective is assessed each year and the expense adjusted accordingly.

The fair value of options granted is determined using the Black-Scholes valuation model and takes into account an annual reassessment of the expected number of exercisable options. The expense recognized is adjusted accordingly. Following Altice France buyout offer, all stock option plans were closed (Refer to Note 26 – *Share-based payments).*

2.23 Borrowing costs

Under IAS 23 – *Borrowing Costs,* a qualifying asset is an asset that takes a substantial period of time before it can be used or sold. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The Group notes that it does not take a substantial amount of time to get assets ready for their intended use because of the incremental roll-out of the network. The application of IAS 23 consequently has no impact on the Group's Consolidated Financial Statements.

3. Use of estimates and judgments

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the Group to make a certain number of estimates and assumptions that are realistic and reasonable. Thus, the application of accounting principles in the preparation of the Consolidated Financial Statements described in Note 2 – *Accounting policies and methods* implies decisions based on judgment, estimates and assumptions that have an influence on the amounts of the assets and liabilities and on income and expenses as well.

Such estimates are prepared based on the going concern assumption, established using currently available information and in view of the current economic environment. In the current economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of cash flows of the Group.

Significant estimates and assumptions relate to the measurement of the following items:

- *Provisions*: assessment of the risk on a case-by-case basis; it is stipulated that the occurrence of events during a proceeding period may at any time trigger a reassessment of the risk (Note 25 – *Provisions* and Note 33 – *Litigation*).
- *Employee benefits:* assumptions updated annually, such as the probability of personnel remaining with the Group until retirement, the projected change in future compensation, the discount rate and the mortality table (Note 27 – *Post-employment benefits).*
- *Revenue:* identification of the separable elements of a packaged offer and allocation on the basis of the relative fair values of each element; the period of deferred revenue related to costs to access the service on the basis of the type of product and the term of the contract; presentation as net or gross revenue depending on whether the Group is acting as agent or principal.
- *Fair value of financial instruments:* fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted cash flows (Note 30 – *Financial instruments*).
- *Deferred taxes*: estimates for the recognition of deferred tax assets updated annually such as the future tax results of the Group or the likely changes in active and passive temporary differences (Note 12 – *Income tax expense).*
- *Impairment tests*: these tests concern goodwill and intangible assets with an indefinite life span; in the context of impairment tests, the assumptions relating to the determination of Cash-Generating Units (CGU), future cash flows and discount rates are updated annually (Note 13 – *Goodwill and impairment tests*).
- *Intangible assets and property, plant and equipment:* estimate of the useful life based in particular on the effective obsolescence of the assets and the use made of those assets (Note 14 – *Other Intangible assets* and Note 15 – *Property, plant and equipment).*
- *Trade and other receivables:* trade receivables are provisioned (i) on the basis of the historically observed recovery rate and/or (ii) on the basis of a specific recoverability analysis.

In the context of Purchase Price Allocation, the Group made estimates in order to determine the fair value of the identifiable assets and liabilities and the contingent liabilities.

4. Significant events for the fiscal year

On January 30, 2017, SFR and NextRadioTV announced a new phase in their strategic partnership

On January 30, 2017, NextRadioTV and Altice France announced that they have submitted an application to the *Conseil Supérieur de l'Audiovisuel* (CSA) for approval to enter into a new phase of their strategic partnership. In doing so, it is SFR's intention to increase its stake in the holding company of NextRadioTV ("GNP) to 100%. The French Competition Authority gave its approval in the second quarter.

The implementation of this phase is the logical follow up to the partnership entered into in July 2015 with Altice Group and it reflects the changing national and international environment of the telecommunications and media industry.

The first phase has been successful, as it has enabled NextRadioTV to launch three new channels in just a few months: BFM Sport, BFM Paris and SFR Sport1.

The next phase will allow the group to accelerate the launch of new projects and strengthen the capacity of existing channels.

Decision of the French Competition Authority against Altice and Altice France dated March 8, 2017

By Decision No.14-DCC-160 dated October 30, 2014, the French Competition Authority authorized Numericable Group, a subsidiary of the Altice Group, to take exclusive control of SFR. This authorization was subject to a certain number of commitments, including those subject to the procedure initiated by the Competition Authority relating to the performance of a joint investment agreement entered into by SFR and Bouygues Telecom on November 9, 2010 ("Faber Agreement"). Under the terms of this Agreement, SFR and Bouygues Telecom committed to jointly invest in the rollout of a horizontal fiber optic network in a defined number of towns and districts located in high density areas**.**

Insofar as Numericable was already highly present with the very high speed offers of its FTTB cable network in this high density area, the Authority considered that the takeover of SFR by Numericable may have cast doubts over SFR's incentive to honor its commitments to its joint investors, and in particular to Bouygues. To address this potential risk, the Authority therefore requested commitments were made to guarantee that the new group would supply the buildings requested by Bouygues Telecom under the Agreement. These commitments covered three main points:

- The obligation to provide distribution services for all Termination Points delivered as of October 30, 2014 within two years;
- The drawing up of a rider to the Faber Agreement allowing Bouygues Telecom to order a list of buildings of its choice for the distribution to Termination Points delivered after October 30, 2014 within three months (excluding performance constraints);
- The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using specially introduced quality indicators.

By Decision No.15-SO-14 dated October 5, 2015, the Competition Authority opened ex officio an inquiry into the conditions under which Altice and Altice France respect these commitments.

By Decision No. 17-D-04 dated March 8, 2017, the Competition Authority decided to levy a financial sanction of €40 million against Altice and Altice France, and imposed periodic penalty payments for each day of delay, for not having respected the commitments set out in the "Faber Agreement". This amount was recognized in the financial statements as of March 31, 2017 and was paid over the second quarter.

A summary was lodged on April 13, 2017 before the French Supreme Court (*Conseil d'état*). The judge in chambers of the Council of State said there is no matter to be referred.

On September 28, 2017, the supreme Court rejected the request of cancelling ADLC decision put forth by Altice and SFR.

Decision of the Administrative Court regarding the penalty to pay for €96.6 million by Sequalum to the department of Hauts-de-Seine

Pursuant to two decisions rendered on March 16, 2017, Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum against two enforcement measures issued by the department of Hauts-de-Seine in respect of penalties, for amounts of €51.6 million and €45.1 million. Sequalum appealed these two decisions before the Administrative Court of Versailles.

Following the dismissal by the Administrative Court of Appeal lodged by Sequalum against the two enforceable measures issued by the Department in respect of the penalties, €97 million were paid to the "Tresor Public" during July 2017 (Refer to Note 33 – *Litigation*).

Restructuring

On August 4, 2016, Management and some representative unions of the Altice France telecom division signed an agreement to allow the Group to adapt more quickly to the demands of the telecom market by building a more competitive and efficient organization. This agreement reaffirmed the commitments, made at the time of the SFR acquisition, to maintain jobs until July 1, 2017 and defined the internal assistance guarantees as well as the conditions for voluntary departures implemented as of the second half of 2016. This agreement stipulated three steps:

1 - the reorganization of retail stores, presented to the staff representatives on September 2016, resulted in a voluntary departure plan as of the fourth quarter of 2016 and was accompanied by a change in channel distribution and the closing of stores;

2 - the preparation of a new voluntary departure plan to be launched in July 2017, preceded by the possibility for employees who wanted to benefit from this plan to request suspension of their employment contract in the fourth quarter of 2016 in order to pursue their professional plans outside the company; and

3 - a period between July 2017 and June 2019 during which employees could also benefit from a voluntary departure plan under conditions to be defined.

In any case, the Group has made a commitment that the SFR Telecom division would have no fewer than 10,000 employees during this period.

The first phase of this agreement, namely the reorganization of retail stores, ended at end-March 2017 with the validation of about 800 departures of employees. At end December 2017, a residual amount of €8 million was recognized for restructuring of retail stores in provisions. The amount paid as of December, 31, 2017 was €87 million and the amount recorded in payables was €21 million at the end of December 31, 2017.

Furthermore, the GPEC Group Agreement was signed on February 1, 2017 by the majority of the representative unions of the Altice France Telecom division. It specifies the external mobility scheme offered to the employees for the period before June 30, 2017. As of June 30, 2017, 1,360 employees took benefit of the "Mobilité Volontaire Sécurisée" plan (MVS: suspension of labour contract) of the GPEC, and benefited in priority from the voluntary departure plan.

Finally, the "Livre 2", a legally binding document that described the target organization of the Telecom division of SFR was delivered to the representative unions on April 3, 2017. The validation commissions began on July. A restructuring provision was recognized for this voluntary departure plan amounted €742 million as of June 30, 2017, partially offset by the reversal of employee benefit plan provisions amounting to €49 million. The plan ended in end-November 2017 (except for SRR) with the validation of about 3,200 departures of employees. Following this validation, a reversal of provision, amounting to €700 million (of which €675 million utilized) was recognized as of December 31, 2017 and replaced by payables for an amount of €675 million. Of the remaining €675 million, €262 million was paid out in 2017 with the remainder in payables is for an amount of €413 million as of December 2017. Additionally, following the disposal of SFR Service Client in December 2017 (see Note 5 – *Change in scope*), the remaining provision of €9 million attributable to SFR Service Client was derecognized.
The residual amount of €32 million was recognized in provisions as of December 31, 2017.

Refinancing of loans

On April 18, 2017 the Group Altice France raised new Term Loans in order to replace part of its existing Term Loans. Altice France repaid two existing tranches, the Term Loan B7 denominated in US dollars and the Term Loan B9 denominated in euros by issuing two new tranches, the Term Loan B11 denominated in US dollars and the Term Loan B11 (SG) denominated in euros. At the time of the refinancing, the Term Loan B7 in US dollars amounted to US$1,414 million and the Term Loan B9 denominated in euros amounted to €296 million. The new Term Loan tranches, the Term Loan B11 in US dollars and the Term Loan B11 (SG) in euros, amount respectively to US$1,420 million and €300 million. Ypso France replaced its existing Term Loan, the Term Loan B7 denominated in euros, by

a new Term Loan, the Term Loan B11 (YF) also denominated in euros. At the time of the refinancing, the Term Loan B7 in euros amounted to €843 million. The new Term Loan tranche amounts to €845 million.

These refinancings allowed the Group to extend the maturities of the Term Loans:

- The Term Loan B7 in US dollars was maturing in January 2024. The new tranche B11 in USD is maturing in July 2025: an extension of 18 months.
- The Term Loan B9 in euros was maturing in July 2023. The new tranche B11 (SG) in euros is maturing in July 2025: an extension of 24 months.
- The Term Loan B7 in euros was maturing in April 2023. The new tranche B11 (YF) in euros is maturing in July 2025: an extension of 27 months.

These refinancings also allowed the Group to reduce the cost of those Term Loans:

- The Term Loan B7 in US dollars was bearing interest at three-month LIBOR (with a 0.75% floor) plus a margin of 4.25%. The new tranche B11 in US dollars is bearing interest at three-month LIBOR (with a 0% floor) plus a margin of 2.75%. This represents a decrease of 1.50%. Moreover, at the time of the refinancing, the three-month LIBOR was higher than the former floor of 0.75%.
- The Term Loan B9 in euros was bearing interest at three-month EURIBOR (with a 0.75% floor) plus a margin of 3.25%. The new tranche B11 (SG) in euros is bearing interest at three-month EURIBOR (with a 0.00% floor) plus a margin of 3.00%. This represents a decrease of 0.25% of the margin and also a decrease of 0.75% of the floor, as the three-month EURIBOR was negative at the time of the refinancing.
- The Term Loan B7 in euros was bearing interest at three-month EURIBOR (with a 0.75% floor) plus a margin of 3.75%. The new tranche B11 (YF) in euros is bearing interest at three-month EURIBOR (with a 0% floor) plus a margin of 3.00%. This represents a decrease of 0.75% of the margin and also a decrease of 0.75% of the floor, as the three-month EURIBOR was negative at the time of the refinancing.

From an accounting standpoint, these operations were treated as a non-substantial modification of the existing debt and hence the issuance costs capitalized in previous periods were rolled over onto the new debt as per IAS 39.

Following these improvements in the conditions of the Group debts, the average debt maturity was extended from 7.0 to 7.3 years and the weighted average cost of debt decreased from 5.2% to 4.9%.

As there was no significant change in the outstanding amounts under the debts denominated in US Dollar before and after the refinancing, there has been no changes in the hedging instruments.

On October 9, 2017, Altice N.V. announced that it has successfully re-priced for Altice France the 2025 Term Loan amounted to €2.9 billion. Proceeds were used to refinance its €697 million and $1.8 billion January 2025 Term Loan and to repay €600 million of commercial paper.

These refinancings allowed the Group to extend the maturities of the Term Loans:

- The Term Loan B10 in US dollars was maturing in January 2025. The new tranche B12 in US dollars is maturing in January 2026: an extension of 12 months.
- The Term Loan B10 in euros was maturing in January 2025. The new tranche B12 in euros is maturing in January 2026: an extension of 12 months.

These refinancings also allowed the Group to reduce the cost of those Term Loans:

- The Term Loan B10 in US dollars was bearing interest at LIBOR (with a 0.75% floor) plus a margin of 3.25%. The new tranche B12 in US dollars is bearing interest at LIBOR (with a 0.00% floor) plus a margin of 3.00%. This represents a decrease of 0.25%. Moreover, at the time of the renegotiation, the three-month LIBOR was higher than the former floor of 0.75%.
- The Term Loan B10 in euros was bearing interest at EURIBOR (with a 0.75% floor) plus a margin of 3.00%. The new tranche B12 in euros is bearing interest at EURIBOR (with a 0.00% floor) plus a margin of 3.00%. This represents a decrease of 0.75% with the decrease of the floor as the three-month EURIBOR was negative at the time of the refinancing.

The average maturity of SFR's capital structure was extended from 6.8 to 7.2 years and the weighted average cost of debt decreased to at 4.7%.

This refinancing was treated as an extinguishment of financial instruments and issuance costs capitalized in prior periods were expensed via the consolidated statement of income (see Note 11 – *Financial income*).

Closing of the sale of the B2B Press activity

On April 28, 2017, in accordance with the announcement at the end of 2016 (Refer to Note 4.7 of the appendix to the 2016 consolidated financial statements), SFR completed the sale of the companies from Newsco's B2B activities and L'Etudiant to the holding company Coalition Media Group, controlled by Marc Laufer. The Group subsequently acquired a 25% stake in this holding. As part of the transaction, the vendor loan contracted during the acquisition of AMGF for 100 million euros was fully reimbursed. The group recorded a €28 million capital gain.

In accordance to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, assets intended for sale and liabilities related to assets held for sale were placed on specific items in the statement of financial position as of December 31, 2016 for the amounts of €59 million and €46 million respectively; given that the impact on the statement of financial performance and the statement of cash flows is not substantial, these statements were not restated as of December 31, 2016.

Altice rebranding

During the second quarter, Altice NV revealed its new strategy of Altice brand which will represent the transformation of the Group: from a holding company with a collection of different assets and brands around the world to the establishment of one unified group with one single brand, Altice.

The Altice name, brand and new logo will replace the current brands within Altice's subsidiaries.

It was expected that SFR brand will have completed the transition process by the end of the second quarter of 2018. B2B brands will become Altice Business. Some telecom brands (Red, Next TV), media brands (i24News, BFMTV, RMC*...) and press brands (Libération, L'Express) will be maintained.

The Board held on May 22, 2017 approved the new brand proposed by Altice. Considering SFR brand residual useful life, the Group applied an accelerated amortization on SFR brand in half year financial statements.

But, in December 2017, Altice Board made a decision to postpone the adoption of a global brand that would have replaced the local brands, increasing the useful life of the local trade name intangible asset to 5 years, which will reduce the future annual amortization expense related to the local brand trade name Considering SFR brand residual useful life, the Group applied an accelerated amortization on SFR brand in half year financial statements. The amortization expense amounts €453 million as of December 31, 2017 compared to €70 million in the absence of accelerated amortization.

Completion of the acquisition of 'Numéro 23 Channel'

On July 26, 2017, the CSA approved the acquisition of an additional 12% stake in Pho holding (owner of *Numéro 23* channel) by NextRadioTV. Following this acquisition, NextRadioTV held a 51% stake in Pho holding, thus leading to a change in the consolidation method of Pho holding for the nine months ended September 30, 2017 (from equity method to full integration).

Re-pricing of certain derivative instruments

In July 2017, the Group monetized a part of the latent gains in certain derivative financial instruments, through the re-pricing and extension of the maturity of these financial instruments. An aggregate amount of USD nominal of 2,150.5 million initially priced at 1.3827 (EUR/USD) was re-priced to an average rate of 1.223 (EUR/USD), with an extension of maturity from 2022 to 2025. As a result of the operation, the Group recognized a financial gain of 203.1 million euros against a cash payment for the same amount. The re-priced swaps were re-qualified for hedge accounting (with the exception of one swap) following the operation.

Tax dispute related to VTI

On December 23, 2014, the tax authorities have contested the merger of Vivendi Telecom International (VTI) and SFR dated December 12, 2011 and therefore intend to challenge SFR's inclusion in the Vivendi tax consolidation group for fiscal year 2011. The proposed assessment has been cancelled in November 2017 (Refer to Note 33.1.2 *Tax disputes – SFR*).

5. Change in scope

As of December 31, 2017, the main changes in scope concern:

- the sale of the B2B Press activity,

- the accounting equity method of Coalition Media Group,
- the change in the consolidation method of Pho holding (refer to the previous note),
- the sale of SFR Service Client to Intelcia, an Altice' subsidiary, for an amount of €6 million except a specific restructuring compensation of €113 million.

6. Revenue

The breakdown of revenue by segment is detailed as follows:

(in € millions)	**December 31, 2017**	**December 31, 2016**
B2C	7,254	7,354
B2B	1,857	2,013
Wholesale	1,288	1,323
Media	516	301
Total	**10,916**	**10,991**

7. Reconciliation of operating income to Adjusted EBITDA

The following table shows the reconciliation of the operating income in the Consolidated Financial Statements to Adjusted EBITDA:

(in € millions)	**December 31, 2017**	**December 31, 2016**
Operating income	**(28)**	**954**
Depreciation, amortization and impairment	2,754	2,435
Restructuring costs (a)	673	167
Costs relating to stock option plans	2	4
Other non-recurring costs (b)	314	278
Adjusted EBITDA	**3,714**	**3,838**

(a) Mainly include net costs of Telecom division voluntary plan departure (€(700) million) and the reversal related to the employee benefit provision (€49 million).

(b) Include costs related to litigation (€34 million), the losses linked to the scrapping of property, plant and equipment and intangible assets (€109 million) and costs related to the change in office premises to the new Altice Campus (€130 million). Litigation costs notably include the reversal of provision for VTI litigation (+ €101 million) – Refer to Note 33.1 Tax disputes.

8. Staff costs and average number of employees

Staff costs break down as follows:

((in € millions)	**December 31, 2017**	**December 31, 2016**
Average annual headcount (Full-time equivalent) (a)	**16,671**	**17,669**
Wages and salaries	(753)	(795)
Social security costs	(339)	(334)
Employee profit-sharing	(20)	(50)
Capitalized payroll costs	250	267
Staff costs	**(862)**	**(911)**
Costs related to stock option plans	(2)	(4)
Employee benefit plans	(12)	(10)
Other (b)	(1)	(19)

Staff costs and employee benefit expenses	**(877)**	**(945)**

a) *1,700 employees left the Group* with the voluntary departure plan but are in the average annual headcount. Besides, 2,280 employees signed the voluntary departure plan agreement but are still enrolled in headcount as of December 31, 2017.

b) *Includes among other things the costs of various personnel as well as the provisions for risks, excluding the provisions for retirement benefits.*

The amount of staff costs included in "Non-recurring income and expenses" is €657 million. This amount is mainly comprised of the costs related to the voluntary departure plan of the telecom division and retail stores (Refer to Note 4 – *Significant events for the fiscal year*).

9. Other operating expenses

Other operating expenses consist primarily of the following items:

(in € millions)	**December 31, 2017**	**December 31, 2016**
Network operation and maintenance	(784)	(771)
Sales and marketing	(549)	(518)
Customer service	(513)	(495)
General and administrative expenses	(248)	(248)
Taxes	(214)	(230)
Other operating expenses	**(2,308)**	**(2,263)**

10. Non-recurring income and expenses

Non-recurring income and expenses consist of the following items:

((in € millions)	**December 31, 2017**	**December 31, 2016**
Net restructuring costs	(673)	(167)
Litigation	(34)	(162)
Gain and loss on disposal of property, plant, equipment and intangible assets	(109)	(51)
Other non-recurring income and expenses	(164)	(52)
Non-recurring income and expenses	**(980)**	**(432)**

Refer to Note 2.4 – Adjusted EBITDA and Note 7 - Reconciliation of operating income to adjusted EBITDA.

11. Financial income

Financial income is broken down below:

(in € millions)	**December 31, 2017**	**December 31, 2016**
Cost of gross financial debt	**(1,099)**	**(1,043)**
Financial income (a)	**209**	**10**
Provisions and unwinding of discount	(0)	(34)
Other (b)	(177)	(44)
Other financial expenses	**(177)**	**(78)**
Net financial income (expense)	**(1,068)**	**(1,111)**

(a) Includes the one-off gain resulting from the monetization of derivative instruments in the third quarter of 2017 for €203 million.
(b) Includes the cancellation of the guarantees granted by Vivendi for €(124) million.

The cost of gross financial debt increased from €1,043 million during the year ended December 31, 2016 to €1,099 million during the year ended December 31, 2017. This increase in the cost of gross financial debt is mainly due to:

- The gross debt increase related to the issuance of a new debt in October 2017,
- the negative variation in the fair value of certain derivative instruments.
- the refinancing that occurred in October 2017, treated as an extinguishment of the existing debt that led to a charge related to this extinguishment of €42.4 million.

The cost of debt amounted to 4.7% at end-December 2017.

12. Income tax expense

12.1. Income tax expense components

(in € millions)	**December 31, 2017**	**December 31, 2016**
Tax income (expense)		
Current	23	(181)
Deferred	369	124
Income tax income (expense)	**392**	**(57)**

12.2. Tax proof

(in € millions)	**December 31, 2017**	**December 31, 2016**
Net income (loss)	(715)	(218)
Neutralization :		
Income tax expense (income)	392	(57)
Share in net income (loss) of associates	(11)	(4)
Profit before taxes	**(1,096)**	**(157)**
Statutory tax rate in France	34.43%	34.43%
Theoretical income tax	**377**	**54**
Reconciliation between the theoretical tax rate and the effective tax rate :		
Effects of permanent differences (a)	(70)	(105)
Tax credits/tax assessments (b)	118	31
CVAE net of current and deferred taxes (c)	(49)	(49)
Differences on income tax rate (d)	(61)	99
Reassessments of deferred taxes (e)	96	(92)
Other	(21)	6
Income tax income (expense)	**392**	**(57)**
Effective tax rate (d)	35.76%	(36.34)%

(a) Corresponds primarily to the reintegration of net financial expenses: €(93) million.

(b) Corresponds to the reversal of the provision for VTI *tax dispute* : €124 million.

(c) Corresponds to the tax charge on the added value of businesses (CVAE) reclassified as corporate income tax under the IFRS: €(74) million, net of the tax €26 million.

(d) Article 84 of the Act 2017-1837 dated December 30, 2017 prescribes a progressive decrease of the income tax rate over the next five years in order to reach 25.83% (including the social surtax of 3.3%) in 2022.

(e) The Group reviewed the deferred tax assets by taking into account the new business plan of the Group.

12.3. Change in deferred taxes by type

The change in deferred taxes for the year is broken down in the following table according to the deferred tax basis:

(in € millions)	December 31, 2016	Income statement	Other *	December 31, 2017
Deferred tax assets				
Tax losses (a)	763	44	(4)	803
Provisions	176	(75)	(22)	79
Property, plant and equipment and intangible assets	248	(58)	1	191
Derivative instruments	204	50	8	261
Other	122	(8)	(15)	98
Offsetting (b)	(698)	-	(58)	(756)
Deferred tax assets, gross	**815**	**(47)**	**(91)**	**676**
Unrecognized tax assets				
Tax losses (a)	(552)	9	4	(539)
Other	(241)	113	2	(126)
Deferred tax assets, net	**22**	**75**	**(85)**	**12**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(1,132)	308	(9)	(834)
Derivative instruments	(104)	(16)	(2)	(122)
Other	(77)	3	10	(63)
Offsetting (b)	698	-	58	756
Deferred tax liabilities	**(615)**	**294**	**58**	(263)
Net deferred tax assets (liabilities)	**(593)**	**369**	**(27)**	**(252)**

**In particular, this amount includes in net deferred tax liabilities €(25) million related to financial instruments and actuarial variances (refer to the consolidated statement of comprehensive income). Other changes concern reclassification flows.*

(a) As of December 31, 2017, the Group recognized a deferred tax asset for €264 million compared with €211 million at year-end 2016 on the basis of projections of future use of the loss carry forward deemed probable.
It should be noted that the majority of all losses are indefinitely deferrable.

(b) In accordance with IAS 12 – Income Tax, the deferred tax assets and liabilities of a given tax group may be offset against each other provided they all relate to income tax levied by the same tax authority; the Group has a legally enforceable right to offset tax assets and liabilities.

12.4. Tax receivables and payables

At year-end, tax receivables for €150 million corresponded mainly to the corporate income tax installments paid in 2017. Tax payables for €104 million corresponded to the provision for 2017 income tax.

13. Goodwill and impairment tests

13.1. Change in goodwill

(in € millions)	December 31, 2017	December 31, 2016
Net carrying amount	11,146	10,554
Acquisitions	-	592
Disposals	-	-
Other (a)	53	-
Net value at end of year	**11,199**	**11,146**

(a) Mainly concerns the change in control of N23 Channel.

13.2. Impairment tests

The impairment tests described in this note were on the goodwill of the Group, on the basis of their useful value, assessed from projections of discounted future cash flows taking into consideration the operating segments as defined by the Group.

For the purposes of the impairment tests, goodwill is allocated in definite value at the level of the four operating segments monitored by the Group as follows:

(in € millions)	December 31, 2017	December 31, 2016
B2C Operations	5,613	5,613
B2B Operations	3,022	3,022
Wholesale	1,924	1,924
Media	640	587
Total	**11,199**	**11,146**

13.3. Main assumptions used

The goodwill impairment test was conducted on the basis of the operating segments defined above. In accordance with IAS 36 on impairment of goodwill, the impairment test is performed by comparing the carrying amount with the recoverable amount for each of the operating segments.

The conditions for allocation of assets and liabilities shared by the operating segments are described in Note 2.13 – *Impairment of assets*.

The recoverable amount is determined based on the value in use using a discounted cash flow model. The value in use is determined by using cash projects based on financial budgets approved by Management covering a five-year period.

Projections of subscribers, revenue, costs and capital expenditure are based on reasonable and acceptable assumptions that represent Management's best estimates. These assumptions are based on the projected number of subscribers, the level of expenses to improve network infrastructures, and the savings related to the continued implementation of the synergies identified by the Group. The projections are based on both past experience and the expected future market penetration of the various products. All these elements have been assigned, either directly or indirectly, to the operating segments of the Group.

As indicated in Note 2.13 – *Impairment of assets,* the determination of the value in use also depends on assumptions such as the discount rate and the perpetuity growth rate.

Telecom

The value in use is determined from the following estimates at December 31, 2017:

Basis of recoverable amount	Value in use
Methodology	DCF
Projection period	5 years
Post-tax discount rate	7.30%
Perpetuity growth rate	0.80%

As of December 31, 2017, the recoverable value would be equal to the carrying value if one of the main assumptions changed as follows:

	B2B	B2C	Wholesale
Discount rate increase	0.3pt	0.7pt	0.3pt
Growth rate decrease	-0.4pt	-0.8pt	- 0.3pt
Decrease in the adjusted Ebitda margin over the business plan and terminal value period	-0.8pt	- 1.6pt	- 0.8pt

Media

The value in use is determined from the following estimates at December 31, 2017:

Basis of recoverable amount	Value in use
Methodology	DCF
Projection period	5 years
Post-tax discount rate	7.30%
Perpetuity growth rate	1.50%

As of December 31, 2017, the recoverable value would be equal to the carrying value if one of the main assumptions changed as follows:

	Media
Discount rate increase	0.1pt
Growth rate decrease	- 0.1pt
Decrease in the adjusted Ebitda margin over the business plan and terminal value period	- 0.2pt

14. Other intangible assets

14.1. Intangible assets by type

The following is a breakdown of intangible assets by type:

	December 31, 2017			**December 31, 2016**		
(in € millions)	**Gross**	**Amort, dep. & impairment**	**Net**	**Gross**	**Amort, dep. & impairment**	**Net**
SFR trade name (a)	1,050	(598)	452	1,050	(146)	904
Other trade name (b)	73	(6)	66	73	(3)	70
Licenses (c)	2,286	(453)	1,832	2,286	(301)	1,985
Customer bases (d)	2,875	(1,070)	1,805	2,875	(744)	2,131
Software	2,708	(1,506)	1,202	2,247	(1,134)	1,114
Other intangible assets (e)	2,965	(1,656)	1,309	2,698	(1,302)	1,396
Total	**11,956**	**(5,290)**	**6,666**	**11,229**	**(3,629)**	**7,600**

(a) *The SFR brand was valued at the time of application of Purchase Price Accounting and was initially amortized over 15 years. An accelerated amortization was applied on SFR brand in 2017. At the end of December 2017, the residual useful life is five years (Refer to Note 4 – Significant events for the fiscal year - Altice Rebranding).*

(b) *Includes mainly SFR Presse and NextRadioTV brands for respectively €28 million and €44.6 million.*

(c) *Includes the licenses held by :*

- SFR at the time it was acquired (Refer to Note 2.10 – Intangible assets). In addition, in the context of the allocation of frequencies in the 700 MHz band, SFR acquired new frequencies for the amount of €466 million (excluding spectra). This amount was discounted.

- NextRadioTV for the amount of €95.7 million.

(d) *Includes mainly :*

- The SFR customer base as valued at the time of application of Purchase Price Accounting for a gross value of €2,700 million amortized over 9 years.

- The Virgin Mobile customer base as valued at the time of application of Purchase Price Accounting for a gross value of €160 million amortized over 5 years. As of December 31, 2017, the customer base is impaired for the amount of €41.5 million.

(e) *Primarily include the rights to use the cable infrastructure and civil engineering facilities built by the operator Orange, the concession contracts (IFRIC 12), the costs of customer acquisition, service access fees and television programs.*

14.2. Change in net intangible assets

The following is a breakdown of the change in intangible assets:

(in € millions)	December 31, 2017	December 31, 2016
Net carrying value in the opening balance	**7,600**	**7,983**
Amortization and impairment	(1,737)	(1,420)
Acquisitions	806	795
Disposals	(18)	(23)
Changes in scope	(4)	248
Assets classified for sale	(0)	(29)
Other	19	46
Net carrying value in the closing balance	**6,666**	**7,600**

14.3. Breakdown of amortization and impairment

The following is a breakdown of amortization and impairment:

(in € millions)	December 31, 2017	December 31, 2016
SFR trade name	(454)	(72)
Licenses	(152)	(147)
Customer bases	(326)	(376)
Software	(411)	(431)
Other intangible assets	(394)	(394)
Total	**(1,737)**	**(1,420)**

15. Property, plant and equipment

15.1. Property, plant and equipment by type

The following is a breakdown of property, plant and equipment by type:

	December 31, 2017			December 31, 2016		
(in € millions)	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
Land	93	(1)	91	93	(1)	91
Buildings	1,774	(362)	1,413	1,715	(309)	1,405
Technical equipment	6,044	(2,536)	3,509	5,690	(2,464)	3,226
Assets in progress	586	(0)	586	523	(0)	522
Other	1,904	(1,079)	825	1,625	(850)	775
Total	**10,401**	**(3,977)**	**6,424**	**9,645**	**(3,625)**	**6,021**

Buildings mainly consist of technical website hosting, constructed buildings and their respective amenities.
Technical facilities include mainly network and transmission equipment.
Property, plant and equipment in progress consist of equipment and network infrastructures.
“Other” items include boxes (ADSL, fiber and cable).

15.2. Change in net property, plant and equipment

The following is a breakdown of the change in property, plant and equipment:

(in € millions)	December 31, 2017	December 31, 2016
Net carrying value in the opening balance	**6,021**	**5,627**
Amortization, depreciation and impairment	(1,016)	(1,015)
Acquisitions	1,562	1,517
Disposals	(117)	(81)
Changes in scope	(4)	23
Assets classified for sale	(0)	(0)
Other	(21)	(51)
Net carring value in the closing balance	**6,424**	**6,021**

15.3. Breakdown of amortization and impairment

The following is a breakdown of amortization and impairment:

(in € millions)	December 31, 2017	December 31, 2016
Buildings	(139)	(128)
Technical equipment	(521)	(546)
Assets in progress	-	7
Other	(355)	(347)
Total	**(1,016)**	**(1,015)**

15.4. Property, plant and equipment financed by finance leases

The net carrying amount of the assets held through finance lease contracts breaks down as follows:

(in € millions)	December 31, 2017	December 31, 2016
Land	1	2
Buildings	12	13
Technical equipment	92	106
Other	11	14
Total	**116**	**135**

16. Investments in associates

The change for the fiscal year can be analyzed as follows:

(in € millions)	
Balance as of December 31, 2016	**46**
Change in scope	3
Capital increase (a)	19
Change in control (Full consolidation) (b)	(20)
Dividends paid	(11)
Income / Loss	(11)
Other	(4)
Balance as of December 31, 2017	**23**

(a) Corresponds to the capital increase in La Poste Telecom.
(b) Corresponds to the companies PHO holding and Diversité TV France, now fully consolidated.

16.1. Main interests in associates

The amount of "Investments in associates" breaks down as follows:

(in € millions)	December 31, 2017	December 31, 2016
Diversité TV France (d)	-	23
La Poste Telecom (a)	0	-
Synerail Construction (b)	8	12
Coalition group	3	-
Other associates	10	11
Associates	**21**	**45**
Synerail (b)	1	-
Foncière Rimbaud (c)	1	1
Joint-ventures	**2**	**1**
Total	**23**	**46**

The main investments in associates are as follows:

a) In 2011, SFR and La Poste formed La Poste Telecom, of which they own 49% and 51%, respectively. This subsidiary is a virtual mobile operator in the retail mobile telephony market under the trademark La Poste Mobile. The negative value of the equity interests in La Poste Telecom was adjusted to zero by offsetting against provisions totaling €21.2 million at year-end 2017.

b) On February 18, 2010, a group comprised of SFR, Vinci and AXA (30% each) and TDF (10%) signed a GSM-R public-private partnership contract with Réseau Ferré de France. This contract, worth a total of one billion euros over a 15-year term, is to finance, build, operate and maintain a digital telecommunications network to provide voice and data communication between trains and ground control teams in conference mode. The network will be rolled out gradually on 14,000 km of traditional and high-speed rail lines in France. Synerail Construction, a subsidiary of Vinci (60%) and SFR (40%), is responsible of the construction of this network. The value of these equity-accounted securities is positive as shown in the table above.

c) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four subsidiaries in common which they own 50:50 – Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4 – as part of the construction of SFR's headquarters in Saint-Denis. This project was completed in two tranches. The first tranche of buildings carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered in late 2013. The second tranche carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 was delivered in the last quarter of 2015. As a portion of the property complex was sold off-plan (VEFA), Foncière Rimbaud companies continue for the time needed to finalize the operations.

d) On April 1, 2016, the company NextRadioTV acquired 39% of the company PHO Holding that owns itself 100% of shares of the company Diversité TV, which issues the free TNT HD channel Numéro 23.

   During the third quarter 2017, NextRadioTV took control of the company PHO Holding. Therefore, the company Diversité TV France is now fully consolidated.

The shareholding percentages of these principal equity associates are indicated in Note *34 – List of consolidated entities*.

16.2. Condensed financial information

The following table presents the condensed financial information on significant equity associates:

	La Poste Telecom		Synerail		Synerail Construction	
(in € millions)	2017	2016	2017	2016	2017	2016
Revenues	232	214	75	82	37	53
Net income (loss)	(29)	(19)	7	11	11	10
Equity	(75)	(90)	2	(3)	20	29
Cash (-)/Net debt (+)	29	56	441	526	(24)	(41)
Total balance sheet	60	45	515	610	30	48

17. Other non-current assets

Other non-current assets are detailed as follows :

(in € millions)	December 31, 2017	December 31, 2016
Derivative financial instruments (a)	650	1,886
Other (b)	86	244
Non-current financial assets	736	2,131
Other non-current assets (c)	195	21
Other non- current assets	**931**	**2,151**

(a) *Refer to Note 24 - Derivative instruments.*
(b) Includes in the opening balance the guarantees granted by Vivendi of €124 million and extinguished in 2017.
(c) Of which €184 million of non- current prepaid expenses.

18. Inventories

(in € millions)	December 31, 2017	December 31, 2016
Inventories of terminals and accessories	309	257
Other	21	24
Inventories - gross	330	281
Impairment	(42)	(45)
Inventories - net value	**289**	**235**

Inventories are primarily comprised of handsets (mobile and boxes) and accessories.

The handsets inventories at year-end consisted of €124.4 million classified as inventories on deposit with distributors (classified as agents) compared with €87.9 million in 2016.

19. Trade and other receivables

(in € millions)	December 31, 2017	December 31, 2016
Trade receivables (a)	3,013	2,518
Impairment of doubtful debts (b)	(623)	(491)
Trade receivables, net	2,390	2,027
Receivables from suppliers	299	203
Tax and social security receivables	736	709
Prepaid expenses	132	218
Other receivables non-operating	59	55
Trade and other receivables, net	**3,616**	**3,212**
Corporate tax (c)	150	159
Corporate tax integration receivables	0	-
Tax receivables	**151**	**159**

(a) *The trade receivables disclosed above are measured at amortized cost. Due to their short-term maturity, fair value and amortized cost are an estimate for the nominal amount of trade receivables.*

(b) *The Group considers that there is no significant risk of not recovering unprovisioned receivables due. The concentration of counterparty risk connected with trade receivables is limited as the Group's customer portfolio is highly diversified and not concentrated given the large number of customers, especially in B2C activities, with many millions of individual customers.*

In the B2B segment, the twenty principal customers of the Group represent less than 5% of Group revenue.

In the operator business, revenue is more concentrated as the largest customers are the telecommunication operators (Orange, Bouygues Telecom, Free Mobile, etc.) for which the risk is moderate given the reciprocal interconnection flows.

(c) *Tax receivables represent the installment paid in 2017.*

20. Other current financial assets

(in € millions)	December 31, 2017	December 31, 2016
Dividends	1	-
Other (a)	17	4
Other current financial assets	**17**	**4**

(a) Includes €13 million of deposits as of December 31, 2017.

21. Cash and cash equivalents

Cash and cash equivalents are broken down below:

(in € millions)	2017	2016
Cash	385	314
Cash equivalents (a)	66	138
Cash and cash equivalents	**451**	**452**

(a) Cash equivalents mainly consisted of money-market UCITS.

22. Equity

As of December 31, 2017, following the exercise of stock options, Altice France's share capital, based on the number of shares outstanding on that date, amounted to €443,706,618 comprising 443,706,618 ordinary shares with a par value of €1 each.

22.1. Change in share capital

Date	Transaction	Shares issued
December 31, 2016		**442,532,156**
January to December	Exercise of stock-options	1,174,462
December 31, 2017		**443,706,618**

22.2. Treasury shares

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris.
On September 21, 2017, following the public buyout offer and the squeeze out of Altice France share (Refer to Note 1 – *Basis of preparation of the consolidated financial statements*), all treasury shares were repurchased by Altice N.V.

22.3. Capital management and dividends

The Group manages its capital as part of a financial policy intended to ensure flexible access to capital markets, including for selective investment in development projects, and to remunerate shareholders.

The amounts available for shareholder remuneration, when in the form of dividends, are determined (i) based on distributable profits and reserves, in accordance with French standards, of the entity Altice France, the Group's parent company and (ii) restrictions in bond terms and conditions lifted in 2014 limiting the Group's capacity to pay dividends and (iii) commitments made in existing shareholder agreements.

The Shareholders' Meeting of December 15, 2015 approved an exceptional distribution of dividends in the amount of €5.70 per share, a total amount of €2.5 billion, which was charged to the "Additional paid-in capital" caption.

The Group did not pay dividends to its shareholders during the fiscal years 2016 and 2017.

23. Financial liabilities

23.1. Financial liabilities breakdown

Financial liabilities break down as follows:

	Current		Non-current		Total	
(in € millions)	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Bonds	274	403	10,993	12,197	11,267	12,600
Term loans (a)	77	82	5,005	4,736	5,082	4,818
Derivative instruments	-	-	856	237	856	237
Borrowings	**351**	**485**	**16,854**	**17,171**	**17,206**	**17,655**
Finance lease liabilities	33	43	40	40	73	83
Perpetual subordinated notes ("TSDI")	-	-	50	46	50	46
Deposits received from customers	52	38	147	151	200	188
Bank overdrafts	78	52	-	-	78	52
Securitization	248	263	-	-	248	263
Reverse factoring	556	374	-	-	556	374
Commercial paper	35	249	-	-	35	249
Other (b)	104	136	12	89	116	225
Other financial liabilities	**1,107**	**1,155**	**248**	**325**	**1,355**	**1,480**
Financial liabilities	**1,458**	**1,640**	**17,103**	**17,496**	**18,561**	**19,136**

(a) This amount includes a NextRadioTV term loan (€25 million of which €5 million at short term).

(b) As of December 31, 2017, this amount includes €70 million related to the valuation of the put and call options as part of the acquisition of NextRadioTV (€59 million as of December 31, 2016).

Financial liabilities issued in US dollars are converted at the following closing rate:

- As of December 31, 2017: €1 = 1.2022 USD
- As of December 31, 2016: €1 = 1.0541 USD

23.2. Bonds

Original currency	Maturity	Coupon	Outstanding amount at *(millions) in euros* [1]	
			December 31, 2016	**December 31, 2017**
EUR	May 2022	5.375%	1,000	1,000
EUR	May 2024	5.625%	1,250	1,250
USD	May 2022	6.000%	3,795	3,327
USD	May 2024	6.250%	1,304	1,144
USD	April 2026	7.375%	4,924	4,317
Total			**12,273**	**11,038**

Bonds can be broken down as follows:

1. *Amounts expressed exclude accrued interest (€298 million as of December 31, 2017 and €429 million as of December 31, 2016) and exclude the impact of the effective interest rate (€(69) million as of December 31, 2017 and €(101) million as of December 31, 2016). Including accrued interest and impact of EIR, the total bond borrowings amounted to €11,267 million as of December 31, 2017 and €12,600 million as of December 31, 2016.*

23.3. Bank borrowings

The bank loans break down as follows (the new tranches issued in 2017 are shown in italics):

Currency	Tranche	Maturity	Reference interest rate	Margin[1]	Outstanding amount at *(millions) in euros* [2]	
					December 31, 2016	December 31, 2017
EUR	B7	April 2023	Euribor 3M	4.500%	846	-
EUR	B5/B9	July 2023	Euribor 3M	3.250%	297	-
USD	B7	Jan. 2024	Libor 3M	5.000%	1,345	-
EUR	B10	Jan. 2025	Euribor 3M	3.750%	700	-
USD	B8	Jan. 2025	Libor 3M	4.000%	1,698	-
EUR	B11	July 2025	Euribor 3M	3.000%	-	1,139
EUR	B12	Jan. 2026	Euribor 3M	3.000%	-	1,000
USD	B11	July 2025	Libor 3M	2.750%	-	1,175
USD	B12	Jan. 2026	Libor 3M	3.000%	-	1,788
Revolving credit facility					-	-
Total					**4,886**	**5,103**

1. *Interest is payable quarterly at the end of January, April, July and October.*
2. *Amounts expressed exclude accrued interest (€33 million as of December 31, 2017 and €32 million as of December 31, 2016) and exclude the impact of the effective interest rate (€(79) million as of December 31, 2017 and €(140) million as of December 31, 2016). Including accrued interest and impact of EIR, total bank borrowings amounted to €5,056 million as of December 31, 2017, and €4,779 million as of December 31, 2016. These amounts do not include the bank loan raised by NextRadioTV.*

Refer to Note 4 – Significant events for the fiscal year for refinancing occurred during the fiscal year 2017.
As of December 31, 2017, the Revolving Credit Facility ("RCF") was not used.
Bank loans, excluding the RCF, will all be repaid at the rate of 0.25% of the nominal amount each quarter.

23.4. Net financial debt

Net financial debt as defined and utilized by the Group can be broken down as follows:

(in € millions)	December 31, 2017	December 31, 2016 *
Bonds	11,038	12,273
Term loans	5,103	4,886
Finance lease liabilities	73	83
Commercial paper	35	*249*
Bank overdrafts	78	52
Other financial liabilities	55	71
Financial Liabilities contributing to net financial debt (a)	**16,381**	**17,614**
Cash and cash equivalents	451	452
Net derivative instruments - currency translation impact	547	2,367
Financial Assets contributing to net financial debt (b)	**998**	**2,819**
Net financial debt (a) – (b)	**15,383**	**14,795**

**Restated of current accounts now excluded from the definition of net financial debt.*

(a) Liability items correspond to the nominal value of financial liabilities excluding accrued interest, impact of EIR, perpetual subordinated notes, operating debts (notably guarantee deposits, securitization debts and reverse factoring), debts related to the acquisition of AMGF and ACL. All these liabilities are translated at the closing exchange rates. Refer to Note 23.6 – Reconciliation between net financial liabilities and net financial debt.

(b) Asset items consist of cash and cash equivalents and the portion of the fair value of derivatives related to the currency translation impact (€547 million as of December 31,2017 and €2,367 million as of December 31, 2016). The fair value of derivatives related to the exchange rate impacts (€(753) million as of December 31, 2017 and €(718) million as of December 31, 2016) is not included.

23.5. Senior secured debt liquidity risk

The following table breaks downs, for the Group's senior secured debt (bonds, bank loans and RCF) the future undiscounted cash flows (interest payments and repayment of the nominal amount).

(in € millions items)	2018	2019	2020	2021	2022	2023 and beyond	Total
USD bonds	461	(316)	530	229	3,863	6,794	11,561
USD term loans	121	120	155	(29)	39	2,870	3,278
EUR bonds	124	124	124	124	1,110	1,372	2,978
EUR term loans	95	94	93	92	(205)	2,345	2,514
RCF	15	12	10	5	-	-	42
Total	**816**	**34**	**913**	**422**	**4,807**	**13,381**	**20,373**

The main assumptions used in this schedule are as follows:

- US dollar amounts are translated to euros at the closing rate (€1=$1.2022) and flows on USD Bonds and USD Term loans also include flows on derivative instruments - also refer to the specific assumptions for debts denominated in US dollars as described in Note 24.4 - *Liquidity risk on foreign currency* debt;
- Calculations of interest are based on the Euribor and Libor rates as of December 31, 2017 (which leads at that date to the application of the floor to floating rate loans in euros but not to floating rate loans in US dollars);
- The maturity dates of bonds and loans are positioned at the contractual maturity date (no early repayment is planned).

23.6. Reconciliation between net financial liabilities and net financial debt

In compliance with IAS7 amendments, the following table shows the reconciliation between net financial liabilities in the consolidated statement of financial position and the net financial debt:

(in € millions)	Note	December 31, 2017	December 31, 2016 *
Financial liabilities	23.1	18,561	19,136
Cash and cash equivalents	21	(451)	(452)
Derivative instruments - asset	17	(650)	(1,886)
Net financial debt - consolidated statement of financial position		**17,460**	**16,797**
Reconciliation :			
Net derivative instruments - rate impact		(753)	(718)
Accrued interest		(335)	(470)
EIR		148	241
Perpetual subordinated notes ("TSDI")		(50)	(46)
Deposits received from customers		(200)	(188)
Securitization		(248)	(263)
Reverse factoring		(556)	(374)
Debt on share purchase		(71)	(180)
Dividend to pay		(2)	(2)
Current accounts		(9)	(1)
Other		(2)	(2)
Net financial debt		**15,383**	**14,795**

**Restated of current accounts now excluded from the definition of net financial debt.*

23.7. Reconciliation between change on financial liabilities and flows related to financing

In accordance with the amendment to IAS 7 applicable from January 1, 2017 onwards, this table presents the reconciliation between change on financial liabilities and flows related to financing as presented in the consolidated statement of cash flows.

(in € millions)	Note	December 31, 2016	Consolidated statement of cash flows: Net cash flow - financing activities	Consolidated statement of cash flows: Other flows	Other flows - non cash	December 31, 2017
Non-current borrowings and other financial liabilities	23.1	17,171	591	-	(907)	16,854
Other non-current financial liabilities	23.1	325	6	-	(83)	248
Non-current financial liabilities	**23.1**	**17,496**	**597**	-	**(990)** [2]	**17,103**
Current borrowings and financial liabilities	23.1	485	(847)	-	714	351
Other current financial liabilities	23.1	1,155	9	(150)	93	1,107
Current financial liabilities	**23.1**	**1,640**	**(838)**	**(150)** [1]	**807** [3]	**1,458**
Financial liabilities	**23.1**	**19,136**	**(241)**	**(150)**	**(183)**	**18,561**

1. Of which €(121) million repayment of debts related to shares acquisitions ;
2. Of which change effect for €(1,617) million, EIR for €92 million and derivative instruments for €619 million ;
3. *Of which accrued interests for €768 million, swap impact for €(64) million and EIR for €9 million.*

24. Derivative instruments

24.1. Fair value of derivative instruments

The following table shows the derivative instruments fair value:

(in € millions) Note	Type	Underlying element	December 31, 2017	December 31, 2016
24.2	Cross-currency Swaps	2022 USD bonds	459	761
		2024 USD bonds	59	260
		2026 USD bonds	(450)	468
		January 2026 USD term loan	(49)	1
		January 2026 USD term loan	(89)	42
		July 2025 USD term loan	50	309
		Fixed rate - Floating rate USD	(176)	(190)
		January 2026 USD term loan	(12)	-
24.3	Interest rate swaps	Fixed rate - EURIBOR 3 months	1	0
		Derivative instruments classified as assets	650	1,886
		Derivative instruments classified as liabilities	(856)	(237)
		Net Derivative instruments	**(206)**	**1,650**
		o/w currency effect	547	2,367
		o/w interest rate effect	(753)	(718)

In accordance with IAS 39, the Group uses the fair value method to recognize its derivative instruments.

The fair value of derivative financial instruments (cross currency swaps) traded over-the-counter is calculated on the basis of models commonly used by traders to measure these types of instruments. The resulting fair values are checked against bank valuations.

The measurement of the fair value of derivative financial instruments includes a “counterparty risk” component for asset derivatives and an “own credit risk” component for liability derivatives. Credit risk is measured on the basis of the usual mathematical models and market data (implicit credit spreads).

24.2. Cross currency swaps

Cross currency swaps subscribed to by the Group are intended to neutralize the exchange rate impacting future financial flows (nominal amount, coupons) or to convert the LIBOR exposure for drawdowns in US dollars for the Term Loan into EURIBOR exposure.

Hedges established are detailed in the table below:

	Notional		Fixed rate / Margin		Initial exchange	Final exchange
(in items millions)	USD	EUR	USD	EUR	date	date
2022 bonds	4,000	2,989	6,000%	5,143%	April 30, 2015	May 15, 2022 [1]
2024 bonds	1,375	1,028	6,250%	5,383%	April 30, 2015	May 15, 2022 [1]
2026 A bonds	2,400	1,736	7,375%	6,783%	none	July 15, 2024 [1]
2026 B bonds	2,790	2,458	7,375%	5,747%	April 11,2016	April 15, 2024 [1]
2026 term loan	550	498	L+3,250% [2]	E+2,730% [2]	Aug. 3,2015	July 31, 2022 [1]
2026 term loan	1,240	1,096	L+4,000% [2]	E+4,150% [2]	Nov. 10,2015	Jan. 31, 2023 [1]
2025 term loan	1,425	1,104	L+4,250%	E+4,570%	none	Jan. 15, 2024 [1]
2026 term loan	350	298	L+3,000% [2]	E+2,76% [2]	Oct. 31, 2017	Jan. 15, 2026 [1]
Total	**14,130**	**11,207**				

1 *Banks benefit from a five-year termination clause in their favor:*
- *in May 2019, for 2022 and 2024 Bonds;*
- in July 2020 for the 2025 Loan;
- in November 2020 for the 2025 Loan;
- *in April 2021 for the 2026 A Bonds, 2026 B Bonds and for the 2025 Loan;*
- *in October 2022 for the 2026 Loan.*

Banks may thus unilaterally terminate the hedging agreement and have Altice France pay, or pay the balance under the agreement to Altice France (depending on the market conditions at such time).

2 *A minimum (floor) of 0.00% applies to the LIBOR and EURIBOR.*

For the refinancing occurred during the year, the Group did not proceed to modification of cross currency swaps. Indeed, the swaps underlying the 2024 and 2025 Term Loans (see below) were maintained for the following amounts:
- $1,425 million corresponding to B11 Term Loan in US dollars,
- $1,240 million corresponding to a part of B12 Term Loan in US dollars,
- $550 million corresponding to a part of B12 Term Loan in US dollars.

The Group set up a new cross currency swap for the financing of B12 tranche with the following characteristics:
- Nominal of $350 million exchanged for an amount of €298 million at a hedging rate of €1 = $1.1741. The three-month LIBOR plus margin of 3.00% in US dollars was exchanged to a three-month EURIBOR plus a margin of 2.7626% in euros.

24.3. Interest rate swaps

As of December 2017, the interest rate swap listed below was still active:
- Principal: €4,000 million
- Altice France pays a negative fixed rate of 0.121% versus floating three-month Euribor
- Maturity: January 2023
- Frequency of swaps: quarterly (January, April, July, and October)

This swap has an early termination option (held by counterparty) starting from January 2021.

As this swap did not classify for hedge accounting, changes in its fair value are recognized directly in profit and loss.

24.4. Liquidity risk on foreign currency debts

The following table breaks down, for the bonds and loans denominated in dollars, the future undiscounted cash flows (interest payments and repayment of the nominal amount).

The main assumptions used in this schedule are as follows:

- Amounts in dollars are translated to euros at the closing rate (€1 = $1.2022);
- Calculations of interest are based on the EURIBOR and LIBOR rates as of December 31, 2017 (which leads at that date to applying the floor on variable rate loans);
- The maturity dates of bonds and loans are positioned at the contractual maturity date (no early repayment is planned);
- The final trade date for the swaps was scheduled for the closer of (i) the final trade date provided for in the swap agreement and, where applicable, (ii) the date on which the banks have the option to terminate the agreement early.

(in € millions)	2018	2019	2020	2021	2022	2023 and beyond	Total
USD Bonds (a)	**461**	**(316)**	**530**	**229**	**3,863**	**6,794**	**11,561**
Flows in USD	590	590	590	590	3,863	6,794	13,015
Swap - Flows in USD	(590)	(5,824)	(318)	(5,591)	-	-	(12,322)
Swap - Flows in EUR	461	4,918	259	5,230	-	-	10,869
USD Term loans (b)	**121**	**120**	**155**	**(29)**	**39**	**2,870**	**3,278**
Flows in USD	156	155	154	152	151	2,878	3,647
Swap - Flows in USD	(140)	(140)	(1,846)	(1,307)	(1,892)	(15)	(5,339)
Swap - Flows in EUR	105	105	1,847	1,126	1,780	7	4,970
Total = (a)+(b)	**583**	**(196)**	**686**	**200**	**3,902**	**9,664**	**14,839**

24.5. Credit risk and counterparty risk

Altice France is exposed to bank counterparty risk in its investments and derivatives; Altice France therefore uses strict criteria when selecting public, financial or industrial institutions in which to invest or contract derivatives, in particular in terms of their financial rating.

25. Provisions

The following table details the amount of provisions:

(in € millions)	December 31, 2017 Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
Employee benefit plans (a)	161	15	(1)	(49)	(2)	124
Restructuring (b)	146	746	(766)	(46)	(35)	46
Technical site restoration (c)	119	3	(11)	-	(15)	97
Litigation and other (d)	811	231	(201)	(301)	23	563
Provisions	**1,236**	**996**	**(978)**	**(396)**	**(28)**	**830**
Current provisions	*396*	*839*	*(826)*	*(43)*	*(17)*	*350*
Non-current provisions	*840*	*157*	*(152)*	*(354)*	*(11)*	*480*

(a) *In relation with the voluntary departure plan, the employee benefit plan provision was reversed for an amount of €49 million.*

(b) *Main changes are related to :*

- *the restructuring provision recognized for €742 million as of June 30, 2017 for the voluntary plan departure of the Telecom division (excluding retail stores) and a reversal of provision for €700 million recognized on the third and fourth quarter.*
- *The reversal of provision for restructuring of the retail stores amounted €92 million.*

(c) *Site restoration expenses: the Group has an obligation to restore the technical sites of its network at the end of the lease when they are not renewed or are terminated early.*

(d) *Litigation and other: these are included in provisions mainly when their amounts and types are not disclosed, because disclosing them may harm the Group. Provisions for litigation cover the risks connected with court action against the Group (Refer to Note 33 - Litigation). All provisioned disputes are currently awaiting hearing or motions in a court. The unused portion of provisions recognized at the beginning of the period reflects disputes that have been settled by the Group paying amounts smaller than those provisioned, or to a downward re-assessment of the risk.*

The table for fiscal year 2016 is presented below:

(in € millions)	December 31, 2016 Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
Employee benefit plans (a)	125	14	(2)	-	25	161
Restructuring (b)	55	103	(38)	(1)	27	146
Technical site restoration (c)	117	4	(1)	-	(2)	119
Litigation and other (d)	758	291	(131)	(115)	8	811
Provisions	**1,055**	**412**	**(172)**	**(116)**	**58**	**1,236**
Current provisions	*328*	*250*	*(123)*	*(88)*	*30*	*396*
Non-current provisions	*727*	*162*	*(49)*	*(28)*	*28*	*840*

26. Share-based payments

Between 2013 and 2015, the Board of Directors adopted a number of stock option plans in favor of certain corporate officers of Altice France and employees of the Group.

Following the public buyout offer and the squeeze out of Altice France (share (see Note 1 – *Basis of preparation of the consolidated financial statements*), stock-options holders with options that were in the money and not yet exercised, renounced their rights to these options by signing a letter and received an indemnity equal to €34.50 less the exercise price of the stock option.

The main information related to various stock option plans are listed in the table below:

Plan / Date	**November, 2013**	**January, 2014**	**November, 2014**	**April, 2015**	**September, 2015**
Total fair value on grant date (in thousands of euros)	9,702	1,145	12,251	2,653	514
Exercise price of the option (in euros)*	11.37	12.67	24.78	44.21	38.81
Expiry date (maturity)	2021/11	2022/01	2022/11	2023/04	2023/09
Squeeze out date	**2017/10**	**2017/10**	**2017/10**	**2017/10**	**2017/10**

**Adjusted following payment of the €5.7 per share dividend in December 2015.*

The following table shows the change in the number of subscription options for outstanding shares during the period, along with the number of exercisable options not exercised at period-end (figures expressed in thousands of options).

Plan / Date (in number of options)	**November, 2013**	**January, 2014**	**November, 2014**	**April, 2015**	**September, 2015**
Options outstanding as of January 1, 2017	1,896	206	504	409	-
Granted	-	-	-	-	-
Cancelled, lapsed	(1,069)	(60)	(303)	(409)	-
Exercised	(827)	(146)	(202)	-	-
Options outstanding as of December 31, 2017	**-**	**-**	**-**	**-**	**-**

The following table shows the change in the total number of options and the corresponding weighted average prices (WAPs):

Plan / Date	**Number**	**WAP**
Options outstanding as of January 1, 2017	3,123	18.9
Granted	-	-
Cancelled, lapsed	(1,948)	(14.9)
Exercised	(1,174)	(12.7)
Options outstanding as of December 31, 2017	**-**	**-**

27. Post-employment benefits

All Group employees benefit from severance packages upon retirement based on the collective bargaining agreement with the company to which they are attached.

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Group and salary, according to the terms of their employment agreement.

27.1. Assumptions used for defined-benefit plans

	December 31, 2017	December 31, 2016
Discount rate	1.40%	1.50%
Expected salary increase rate	2.00%	2.00%
Inflation rate	2.00%	2.00%

Demographic assumptions are specific to each company.

27.2. Change in commitments

(in € millions)	December 31, 2017	December 31, 2016
Benefit obligation - opening balance	**161**	**125**
Service cost	13	11
Interest cost	2	3
Actuarial loss (gain)	1	14
Benefit paid	(1)	(1)
Business combinations	-	14
Restructuring	(49)	(1)
Reclassification to liabilities directly associated to assets held for sale	(3)	(3)
Benefit obligation - closing balance	**124**	**161**

The Group had no plan assets as of December 31, 2017 or as of December 31, 2016.

27.3. Breakdown of recognized expense in the Consolidated statement of income

(in € millions)	December 31, 2017	December 31, 2016
Service cost	13	11
Interest cost	2	3
Restructuring (a)	(49)	(1)
Benefit paid	(1)	(1)
Net period expense of post-employment benefits	**(35)**	**11**

(a) Refer to Note 4 – Significant events for the fiscal year – Restructuring.

27.4. Actuarial gains and losses recognized in comprehensive income

(in € millions)	December 31, 2017	December 31, 2016
Actuarial losses (gains) from experience	(1)	(1)
Actuarial losses (gains) from changes of assumptions	1	14
Actuarial losses (gains) recognized in comprehensive income	**1**	**14**
Actuarial losses (gains) cumulated in comprehensive income (OCI)	***11***	***10***

27.5. Sensitivities

The impact of a change in discount rate within more or less 0.25 point for the actuarial liability is presented in the table below:

(in € millions)	
Benefit obligation at 1.15%	133
Benefit obligation at 1.40%	124
Benefit obligation at 1.65%	122

27.6. Maturity of post-employment benefits

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

(in € millions)	**Total**	Under one year	Two to five years	Six to ten years
Estimated benefits payable	**39**	1	3	35

28. Other non-current liabilities

This item breaks down as follows:

(in € millions)	**December 31, 2017**	**December 31, 2016**
Deferred income (a)	455	391
GSM and LTE licenses (b)	50	174
Other	62	51
Other non current liabilities	**568**	**617**

(a) Prepaid income of more than one year, mainly consisting of unrecognized revenues from network leasing. The current portion of deferred revenue is presented in "Other Current Liabilities" as indicated in Note 29 – Trade payables and other current liabilities.

(b) Debt maturing at the latest in 2021.

29. Trade payables and other current liabilities

29.1. Trade payables and other liabilities

(in € millions)	**December 31, 2017**	**December 31, 2016**
Trade payables and other liabilities (a)	3,267	2,746
Payables from purchase of intangible and tangible assets	809	881
Advances and deposits from customers, credit customers	574	471
Tax liabilities	627	601
Social security liabilities (a)	768	439
Other	0	-
Trade payables and other liabilities	**6,045**	**5,139**

(a) These amounts include €443 million of liabilities related to the voluntary departure plan.

29.2. Other current liabilities

(in € millions)	December 31, 2017	December 31, 2016
Prepaid income (a)	517	485
Other	49	55
Other current liabilities	**566**	**540**

(a) Includes prepaid income linked to differed subscription revenue and the current portion of IRU

30. Financial instruments

30.1. Fair value of financial instruments

The following tables show the net carrying amount per category and the fair value of the Group's financial instruments at December 31 of each year:

(in € millions)	Note	Classification IAS 39	December 31, 2017	
			Total net carrying value	**Fair value**
Assets				
Trade and other receivables *	19	- Assets at amortized cost	3,484	3,484
Derivative instruments classified as assets	17		650	650
		- Derivatives qualifying as hedges	546	546
		- Fair value through income	104	104
Non-current financial assets	17		86	86
		- Assets available for sale	16	16
		- Loans and receivables	69	69
		- Assets at amortized cost	1	1
Other non-current assets	17	- Assets at amortized cost	11	11
Current financial assets	20	- Loans and receivables	17	17
Cash and cash equivalents	21	- Fair value through income	451	451
Liabilities				
Non-current borrowings and financial liabilities [1]	23	- Liabilities at amortized cost	15,998	16,206
Derivative instruments classified as liabilities	23		856	856
		- Derivatives qualifying as hedges	508	508
		- Fair value through income	348	348
Other non-current financial liabilities	23	- Liabilities at amortized cost	248	248
Other non-current liabilities *	28	- Liabilities at amortized cost	112	112
Current borrowings and financial liabilities [1]	23	- Liabilities at amortized cost	351	351
Other financial liabilities	23	- Liabilities at amortized cost	1,107	1,107
Trade payables and other liabilities	29	- Liabilities at amortized cost	6,045	6,045
Other current liabilities *	29	- Liabilities at amortized cost	49	49

* *Excluding prepaid expenses and deferred income.*

(in € millions)	Note	Classification IAS 39	December 31, 2016 Total net carrying value	December 31, 2016 Fair value
Assets				
Trade and other receivables *	19	- Assets at amortized cost	2,994	2,994
Derivative instruments classified as assets	17		1,886	1,886
		- Derivatives qualifying as hedges	1,488	1,488
		- Fair value through income	399	399
Non-current financial assets	17		244	244
		- Assets available for sale	13	13
		- Loans and receivables	107	107
		- Assets at amortized cost	125	125
Other non-current assets	17	- Assets at amortized cost	21	21
Current financial assets	20	- Loans and receivables	4	4
Cash and cash equivalents	21	- Fair value through income	452	452
Liabilities				
Non-current borrowings and financial liabilities [1]	23	- Liabilities at amortized cost	16,934	17,322
Derivative instruments classified as liabilities	23	- Fair value through income	237	237
Other non-current financial liabilities	23	- Liabilities at amortized cost	325	325
Other non-current liabilities *	28	- Liabilities at amortized cost	225	225
Current borrowings and financial liabilities [1]	23	- Liabilities at amortized cost	485	485
Other financial liabilities	23	- Liabilities at amortized cost	1,155	1,155
Trade payables and other liabilities	29	- Liabilities at amortized cost	5,139	5,139
Other current liabilities *	29	- Liabilities at amortized cost	55	55

* *Excluding prepaid expenses and deferred income.*

The carrying amount of trade and other receivables, of cash and cash equivalents, and of trade payables and other current liabilities is nearly equal to their fair value given the short maturities of these instruments, or otherwise, their recognition at their discounted value.

With the exception of derivatives, loans and other short-term and long-term financial debts, and other current and non-current financial liabilities are measured at their amortized cost, which corresponds to the estimated value of the financial liability when initially recognized, minus repayments of principal, and plus or minus cumulative amortization, measured using the effective interest rate method.

Derivatives are measured at fair value through the income statement, or through other items of comprehensive income, for the effective portion of the change in fair value of derivatives qualifying as cash flow hedges.

Fair value measurement through the balance sheet

Fair value is calculated using market prices. When market prices are not available, an analysis of discounted cash flow is carried out.

In accordance with IFRS 7, a three-level hierarchy is applied when measuring fair value:

- Level 1: prices listed on an active market;
- Level 2: internal model with parameters that are observable using internal valuation techniques. These techniques rely on the usual mathematical calculation methods that include observable market data (futures prices, yield curve, etc.);
- Level 3: an internal model with non-observable parameters.

The following table shows the measurement method used for financial assets and liabilities measured at fair value at December 31 of each year:

	December 31, 2017			
(in € millions)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Derivative instruments	650		650	
Other non-current financial assets	16			16
Other current financial assets				
Cash and cash equivalents	451	451		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities	856		856	

	December 31, 2016			
(in € millions)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Derivative instruments	1,886		1,886	
Other non-current financial assets	13			13
Other current financial assets				
Cash and cash equivalents	452	452		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities	237		237	

30.2. Financial risk management and derivative instruments

The Group's treasury department provides services, coordinates access to national and international financial markets, measures and manages the financial risks connected with the Group's activities. These risks include market risks (mainly exchange rate and interest rate risks), credit risks and liquidity risks. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures.

30.3. Currency risk

The Group's exchange rate risk relates to bond issues and bank borrowings denominated in US dollars.

The Group's borrowings arranged in US dollars are fully hedged by derivative instruments in the form of cross currency swaps.

The following table shows the impact of hedging on the initial debt (at the debt issue date), before and after hedging.

Original amount, expressed in millions	Currency	Initial position		Hedging instrument		Final position	
		In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2022 Bonds	USD	(4,000)	-	4,000	(2,989)	-	(2,989)
2024 Bonds	USD	(1,375)	-	1,375	(1,028)	-	(1,028)
2026 Bonds	USD	(5,190)	-	5,190	(4,194)	-	(4,194)
2025 Term Loan	USD	(1,420)	-	1,425	(1,100)	5	(1,100)
2026 Term Loan	USD	(2,150)	-	2,140	(1,892)	(10)	(1,892)
Total		**(14,135)**	**-**	**14,130**	**(11,203)**	**(5)**	**(11,203)**

The following table shows the impact of hedging on the residual debt as of December 31, 2017 before and after hedging:

Amounts as of December 31, 2017 expressed in millions	Currency	Initial position		Hedging instrument		Final position	
		In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2022 Bonds	USD	(4,000)	-	4,000	(2,989)	-	(2,989)
2024 Bonds	USD	(1,375)	-	1,375	(1,028)	-	(1,028)
2026 Bonds	USD	(5,190)	-	5,190	(4,194)	-	(4,194)
2025 Term Loan	USD	(1,413)	-	1,425	(1,100)	12	(1,100)
2026 Term Loan	USD	(2,150)	-	2,140	(1,892)	(10)	(1,892)
Total		**(14,128)**	**-**	**14,130**	**(11,203)**	**2**	**(11,203)**

Analysis of sensitivity to exchange rate risk

As of December 31, 2017, a sudden 10% change in value of the euro against the US dollar would have, given the assets and liabilities on the balance sheet, an immaterial impact on the Group's currency translation results given the hedging instruments set up by the Group. For the purposes of this analysis, all other variables, in particular interest rates, are assumed to remain unchanged.

Forward purchases

The Group hedges proactively its operating purchases (Capex and Opex) in US dollars. As of December 31, 2017, the Group signed with various counterparties forward purchases of US dollars.

As of December 31, 2017 the Group purchased US$60 million at an average price of US$1.1688 for €1 with maturities starting from January 16, 2018 to February 23, 2018. As of December 31, 2017 the average remaining maturity of these forward purchases is about 40 days.

The total fair value of these instruments amounts to €1.4 million in favor of the Group.

30.4. Rate risk

Interest rate risk

The Group is exposed to interest rate risks mainly on bank borrowings on a variable interest rate basis. The Group limits such risks, when it considers appropriate, through interest rate swaps and interest rate caps.

Interest rate sensitivity analysis

The analysis of sensitivity to interest rate fluctuations for instruments at variable rates takes into accounts all variable flows of financial instruments. The analysis assumes that the liabilities and financial instruments on the balance

sheet as of December 31, 2017 remain unchanged over the year. For the purposes of this analysis, all other variables, in particular exchange rates, are assumed to remain unchanged.

A 50 basis point rise (fall) in the EURIBOR at the period-end date would not have material impact on the cost of gross debt.

30.5. Liquidity risk management

The Group manages liquidity risk by maintaining adequate levels of cash, cash equivalents and lines of credit, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Cash position including cash equivalents

As of December 31, 2017, Altice France's cash position more than covered the repayment schedules of its current financial debt:

Amount available (in € millions)	
Cash	385
Cash equivalents	66
Amount available for drawing from lines of credit	1,125
Cash position	**1,576**

30.6. Management of credit risk and counterparty risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that could increase credit risk are mainly trade receivables, cash investments and derivative instruments.

Trade receivables

The Group considers that it has extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries across France.

Cash investments and derivative instruments

Altice France is exposed to bank counterparty risk in its investments and derivatives, and therefore uses strict criteria when selecting public, financial or industrial institutions in which to invest or contract derivatives, in particular in terms of their financial rating.

31. Related party transactions

Parties related to the Group include:

- All companies included in the consolidation scope, regardless of whether they are fully consolidated or equity associates;
- Altice N.V., the entities that it consolidates and its related parties;
- All the members of the Executive Committee of Altice France and companies in which they hold a directorship.

Transactions between fully consolidated entities within the consolidation scope have been eliminated when preparing the Consolidated Financial Statements. Details of transactions between the Group and other related parties are disclosed below.

31.1. Senior executive compensation

The Group's senior executives include members of Altice France's Executive Committee.

The following table shows the compensation allocated to individuals who were, at period-end, or had been in previous years, members of the Executive Committee.

(in € millions)	December 31, 2017	December 31, 2016
Short-term benefits (a)	6	11
Post-employment benefits (b)	-	-
Share-based compensation (c)	-	2
Indemnity linked to the public buyout offer (d)	28	-
Executive compensation	**33**	**13**

a) Includes gross salaries *(*fixed component and variable component*)*, profit-sharing as well as benefits in kind recognized during the year.

b) Corresponds to the cost of services rendered.

c) Expense recorded in the income statement under stock option plans (including employer's contributions owed under the terms of the plans).

d) Indemnities paid in the context of the squeeze-out of Altice France's shares (Refer to Note 1 – Basis of preparation of the consolidated financial statements).

31.2. Associates and joint ventures

Associates and joint ventures, measured through equity, are presented in Note *16 – Investments in associates*.

The main transactions with equity associates relate to:

- La Poste Telecom SAS as part of its telecommunication activities,
- Synerail SAS and Synerail Construction SAS as part of the GSM-R public-private partnership.

	Associates		Joint-ventures	
(in € millions)	2017	2016	2017	2016
Assets	**50**	**64**	**15**	**19**
Non-current assets	15	-	15	17
Current assets	35	64	-	2
Liabilities	**3**	**10**	**-**	**-**
Non-current liabilities	-	-	-	-
Current liabilities	3	10	-	-
Net financial income (expense)	**91**	**85**	**2**	**2**
Operating income	117	108	-	-
Operating expenses	(28)	(24)	-	-
Financial income	2	1	2	2
Off balance-sheet commitments	**115**	**28**	**64**	**70**
Operating	-	-	-	-
Financial	98	28	46	48
Pledges	17	-	17	22

31.3. Shareholders

Transactions with shareholders and their related parties

In 2017, the main transactions with shareholders and their related parties were as follows:

(in € millions)	December 31, 2017	December 31, 2016
Total income	114	45

Total expenses	(635)	(199)
Total	**(521)**	**(154)**

These transactions were conducted as part of the Group's activities mainly with the following companies:

- Outremer Telecom, Hot, Portugal Telecom: telecommunication services;
- I24 US ,MCS, Altice Entertainment News and Sport : television royalties and content;
- Altice Management International et Altice Customer Services (Intelcia) : customer services;
- Altice Technical Services (ERT, Icart and Rhon'Telecom) : construction and deployment of networks.
- Quadrans: real estate rentals;

On December 31, 2017, the significant changes in the statement of income concern:

- Increase in purchase of customer services from Altice Management International and Intelcia : €21 million,
- Increase in purchase of TV channels (including sports channel) from Altice Entertainment News & Sport and Ma Chaîne Sport : €245 million,
- Increase in purchase of network services with Altice Technical Services (ATS) : €49 million,
- Increase in purchase of real estate rental services from Quadrans : €32 million,
- Increase in other net purchases : €23 million.

Investments made (especially construction and deployment of networks with ATS) amounted to €253 million as of December 31, 2017 compared to €18 million as of December 31, 2016 (one-month activity).

The net amount of operating commitments and contractual obligations amounts to €2,290 million (which includes customer services, SFR sport channels broadcasting.
Twelve years lease contracts (or intent letters) signed for all sites of Quadrans are or intended to become the new buildings of the Group.

32. Commitments and contractual obligations

The significant contractual commitments undertaken or received by the Group are disclosed below.

32.1. Commitments relating to bonds and term loans

In May 2014, the Group issued bonds and set up term loans to refinance its historic debt and fund a portion of the SFR acquisition. In July 2015, in the form of an additional facility under the same legal documentation as the loans taken out in May 2014, the Group set up new term loan for the purpose of refinancing its revolving credit lines. Then, in order to fund a portion of the December 2015 distribution, the Group took out a term loan in October 2015. The latter was also structured as an additional tranche under the existing documentation. In April 2016, the Group set up new bonds and term loans for the purpose to refinance a portion of the loans raised in 2014. In October 2016, the Group set up new term loan tranches. The loans setting up in 2016 were structured as additional debt under the existing documentation. In April and October 2017, the Group refinanced some of its term loans and were structured as additional debt under the existing documentation.

As part of these various loans, established under the same financial documentation, a certain number of Group subsidiaries (Altice France, SFR, Ypso France, Altice B2B France, NC Numericable, Numericable US LLC, Numericable US SAS, Completel and Ypso Finance) pledged certain assets to banks (equity instruments of Group companies, bank accounts intercompany loans, trademarks and goodwill).

Additionally, in the event of a change in control (should a company other than Altice N.V. or an affiliate of Altice N.V. come to hold more than 51% of Altice France), the Group would have to offer to repay its debt for an amount equal to 101% of the amount outstanding on that debt.

Term loans and Bonds issued also include certain restrictions that limit the Group's ability to:

- Incur or guarantee any additional debt, subject to a consolidated net debt leverage ratio (4.5x for total debt and 3.25x for bonds);

- Draw the RCF line subject to a consolidated net debt leverage ratio (4.5x for 2017 and beyond);
- Make investments or other payments that are subject to restrictions (including dividends);
- Grant sureties;
- Dispose of subsidiaries' assets and equity instruments;
- Conclude certain transactions with its affiliates;
- Enter into agreements limiting the ability of its subsidiaries to pay it dividends or repay intercompany loans and advances; and
- Carry out mergers or consolidations.

32.2. Commitments assumed by Altice France towards the French Competition Authority under its concentration operation and the monitoring of these commitments

On October 30, 2014, the French Competition Authority authorized exclusive control of SFR by the Altice Group, the parent company of Altice France, subject to compliance with several commitments (Decision No. 14.DCC-160 of October 30, 2014 by the Competition Authority). In compliance with this decision, Altice France is implementing the respective commitments.

By Decision No. 17-D-04 dated March 8, 2017, the Competition Authority decided to levy a sanction against Altice and Altice France (refer to Note 4 – *Significant events for the fiscal year*).

32.3. Commitments relating to assets (excluding network sharing)

The amount of the contractual commitments to acquire intangible assets and property, plant and equipment amount to €1,180 million as of December 31, 2017. The amount includes commitments related to the use of telecommunications systems.

The commitment schedule is as follows:

		Maturity			
(in € millions)	**Minimum future payments 2017**	**Less than one year**	**Two to five years**	**More than five years**	**2016**
Commitments relating to Delegated Public Services	391	32	140	218	120
Commitments relating to Less Dense Areas ZMD (a)	3	2	2	-	40
Other investment	785	635	150	-	583
Total net investment commitments	**1,180**	**669**	**292**	**218**	**743**

(a) *Commitments relating to the deployment of FTTH (Fiber To The Home) in less densely populated areas (ZMD).*

32.4. Agreement to share part of SFR's mobile network

On January 31, 2014, SFR and Bouygues Telecom signed a strategic agreement to share their mobile networks. They will deploy a new shared-access mobile network in an area covering 57% of the population. The agreement allows the two operators to improve their mobile coverage and to achieve significant savings over time.

The agreement is based on two principles:

- create a special purpose joint venture (Infracos) to manage the shared assets of the radio sites, i.e., the passive infrastructures and geographical sites where the telecom infrastructures and equipment are deployed. SFR and Bouygues Telecom each retain full ownership of their own telecom equipment assets and frequencies;
- set up a RAN-sharing service that 2G, 3G and 4G operators can use in the shared territory. Each operator is responsible for the part of the shared territory in which it designs, deploys, operates and maintains the RAN-sharing service.

The sharing agreement is similar to many mechanisms set up in other European countries. Each operator retains its own independent innovation capacity and total commercial and pricing independence. The first deliveries of cell plans were on April 30, 2014. On that occasion, each operator was informed of its partner's deployment plans, as exchanges of technical information about the sites when developing the sharing agreement had been prohibited by ARCEP. This exchange of information led on October 24, 2014 to the agreement being adjusted, in particular regarding certain engineering choices that had been made at a time when the negotiating parties did not have full access to relevant data about each other's networks. The target network completion date was pushed back by a year, from the end of 2017 to the end of 2018, to take into account previous deployment delays encountered.

The first roll-outs of the RAN sharing coverage were in September 2015, and 8,933 sites were rolled out jointly by SFR and Bouygues the end of December 2017. SFR estimates that as of late December, this agreement corresponds to approximately €1,466 million in commitments given, and approximately €1,829 million in commitments received, for a net commitment of approximately €362 million, covering the entire long-term agreement.

32.5. Intangible assets and property, plant and equipment relating to SFR telecommunication activities

SFR is the holder of operating authorizations for its networks and the provision of its telecommunications services on the French territory, as presented below:

Band	Technology	Decisions	Start	End
700 MHz	4G (2 × 5 MHz)	ARCEP Dec. n° 15-1569	December 8, 2015	December 8, 2035
800 MHz	4G (2 × 10 MHz)	ARCEP Dec. n° 12-0039	January 17, 2012	January 17, 2032
900 MHz	2G/3G (2 × 10 MHz)	ARCEP Dec. n° 06-0140	March 25, 2006	March 25, 2021
1800 MHz	2G/4G (2 × 23,8 MHz)			
2,1 GHz	3G (2 × 14,8+5 MHz)	Dec. Issued on July 18, 2001	August 21, 2001	August 21, 2021
	3G (2 × 5 MHz)	ARCEP Dec. n° 10-0633	June 8, 2010	June 8, 2030
2,6 GHz	4G (2 × 15 MHz)	ARCEP Dec. n° 11-1171	October 11, 2011	October 11, 2031

The applicable financial terms are as follows:

- For the GSM license (900 MHz and 1800 MHz): annual payments for 15 years which are broken down each year into two parts: a fixed component amounting to €25 million per year (this discounted amount was capitalized as €278 million in 2006) and a variable component corresponding to 1% of the revenue generated during the year with this 2G technology;
- For the UMTS license (2.1 GHz): the fixed component paid in 2001, i.e., €619 million, was recognized in intangible assets and the variable component of the royalty amounted to 1% of the annual revenue generated by this activity. Additionally, under this license, SFR acquired new frequencies for €300 million in June 2010, for a 20-year period;
- For the LTE licenses (2.6 GHz, 800 MHz, 700 MHz): the fixed components paid in October 2011 (€150 million) and January 2012 (€1,065 million) were recognized in intangible assets on the license allocation dates published in the Official Journal in October 2011 and January 2012. SFR acquired new frequencies in December 2015, for €466 million, payable in four installments. The variable portion of the royalty is 1% of the annual revenue generated by this activity. The variable components of these license fees, which cannot be reliably measured in advance, are not recorded on the balance sheet but are recognized under expenses for the period in which they are incurred.

Furthermore, SFR is paying a contribution to the spectrum development fund for frequency bands which were thus developed, as decided by the French Prime Minister (700 MHz, 800 MHz, 2.1 GHz and 2.6 GHz,) as well as a tax to the National Frequencies Agency intended to cover the complete costs incurred by this establishment for the collection and treatment of claims of users of audiovisual communications services relating to interference caused by the start-up of radio-electric stations (700 MHz and 800 MHz).

32.6. Coverage commitments relating to SFR telecommunication licenses

On November 30, 2009, the Regulatory Authority on Electronic Communications and Postal Services (ARCEP) demanded that SFR comply with the 99.3% coverage rate of the UMTS network in the metropolitan population as of December 31, 2013. By Decision No. 2014-0624 dated May 27, 2014, ARCEP opened an administrative inquiry concerning SFR in order to ensure that the UMTS coverage complied with its commitments.

In a decision on February 9, 2017, ARCEP definitively closed this administrative inquiry. It ruled that the coverage map transmitted by SFR was sufficiently reliable and demonstrated compliance with the obligation for its 3G network to cover 99.3% of the metropolitan population. As of December 31, 2017, the coverage rate of 3G network was 99.8%.

By decision No. 2016-1690-RDPI dated December 13, 2016, ARCEP notified SFR to comply with provisions of Article 119-1 of the Act No. 2008-776 dated August 4, 2008 regarding the modernization of the economy. SFR must have to ensure the mobile coverage of 3G or 4G by June 30, 2017:

- City centers of municipalities related to the « Phase 1 » listed on appendix A of the decision for which SFR is a leader operator and the passive infrastructures have been made available by the public authorities; corresponding to 389 municipalities.
- City centers of municipaliiesy related to the « Phase II », listed on appendix B, for wich SFR is a leader operator, corresponding to 124 municipalities.

After performing tests on the field, ARCEP noted at end-July 2017 that SFR complied with the requirements of this notification.

As part of the allocation of the first block of LTE frequencies in October 2011 (2.6 GHz), SFR undertook to provide coverage for 25% of France's metropolitan population by October 11, 2015, 60% by October 11, 2019, and 75% by October 11, 2023.

As part of the allocation of the second block of LTE frequencies in January 2012 (800 MHz), SFR undertook to meet the following obligations:

(i) SFR must provide the following very-high-speed mobile services:

- 98% of France's metropolitan population by January 2024 and 99.6% by January 2027;
- coverage in the primary deployment area (approximately 18% of the metropolitan population and 63% geographically): SFR must cover 40% of the population in this primary deployment area by January 2017 and 90% by January 2022 (this obligation is to comply using 800 MHz frequencies);
- coverage at a departmental level: SFR must cover 90% of the population of each department by January 2024 and 95% by January 2027;
- coverage of high-priority roads (about 50,000 kilometers): SFR must cover 100% of these axes by January 2027 (this obligation is to comply using 800 MHz frequencies).

(ii) SFR and Bouygues Telecom have a joint obligation to pool networks or share frequencies in the primary deployment area.

(iii) SFR has an obligation to allow roaming for Free Mobile in the primary deployment area once Free Mobile covers 25% of France's population with its own 2.6 GHz network and if it has not signed a national roaming agreement with another operator.

(iv) SFR must, jointly with the other holders of 800 MHz band licenses, cover the city centers identified by the public authorities in the "white zones" program (more than 98% of the population) within no more than 15 years.

ARCEP formally notified SFR, in a decision dated February 18, 2016, to meet its obligations to provide 4G coverage in the 800 MHz band for 40% of the population in a priority deployment zone (ZDP) as of January 17, 2017.

After performing tests on the field during the first quarter 2017, ARCEP noted at end-march 2017 that SFR fully complied with its obligations to cover 40% of the population in 4G.

As part of the allocation of the third block of LTE frequencies in December 2015 (700 MHz,) SFR must comply with the following deployment obligation in very-high-speed mobile networks:

- coverage of the primary deployment area: SFR must cover 50% of the population in this area by January 2022, 92% by January 2027 and 97.7% by December 2030 (this obligation is to comply using 700 MHz frequencies);
- coverage of high-priority roads (about 50,000 kilometers) : SFR must cover 100% of these axes by December 2030 (this obligation is to comply using 700 MHz frequencies);

- coverage of regional railway network (at national level) : at national level, SFR must comply with a 60% coverage rate of regional railway network by January 2022, 80% by January 2027 and 90% by December 2030;
- coverage of regional railway network (at regional level); in each region, SFR must comply with a 60% coverage rate of regional railway network by January 2027 and 80% by December 2030.

32.7. Commitments relating to operating leases

The minimum future rents for operating leases are shown in the following table:

		Maturity			
(in € millions)	**Minimum future payments 2017**	**Less than one year**	**Two to five years**	**More than five years**	**2016**
Land	-	-	-	-	-
Buildings	2,002	327	880	796	2,001
o/w administrative premises	*673*	*81*	*262*	*329*	*728*
o/w technical premises	*1,328*	*245*	*617*	*466*	*1,271*
o/w other	*1*	*0*	*1*	-	*1*
Other	122	38	63	21	138
Leases	**2,124**	**364**	**943**	**817**	2,139
Land	-	-	-	-	-
Buildings	(301)	(58)	(142)	(101)	(334)
o/w administrative premises	*(1)*	*(1)*	-	-	*(24)*
o/w technical premises	*(299)*	*(57)*	*(142)*	*(101)*	*(310)*
o/w other	-	-	-	-	-
Sublets	**(301)**	**(58)**	**(142)**	**(101)**	(334)
Total net	**1,823**	**306**	**801**	**716**	**1,805**

The total future technical rents include rights of way and rents related to the right to use fiber optics.

A portion of the commitments relating to operating leases was signed with related parties of the Group (Refer to Note 31 – *Related party transactions*).

32.8. Commitment relating to long-term contracts

Commitments relating to long-term contracts concern mainly television broadcasting contracts .

	Maturity				
(in € millions)	Minimum future payments 2017	Less than one year	Two to five years	More than five years	2016
Commitments given	1,991	553	1,425	14	1,201
Commitments received	(126)	(20)	(55)	(51)	(102)
Total net commitments	**1,865**	**533**	**1,370**	**(38)**	**1,099**

The change in the commitment relating to long-term contracts is explained by new commitments signed with related parties of the Group (Refer to Note 31 – *Related party transactions*).

32.9. Other commitments

	Maturity				
(in € millions)	2017	Less than one year	Two to five years	More than five years	2016
Bank security guarantee GSM-R (a)	36	-	-	36	36
Bank guarantees GSM-R (a)	13	10	-	2	28
Other bank security deposits and guarantees (b)	73	1	2	70	35
Commitments to purchase securities (c)	16	-	5	10	16
Pledges (d)	18	-	1	17	23
Commitments given	**155**	**11**	**8**	**136**	**138**
Other guarantees and bank security deposits	(1)	-	-	(1)	(1)
Commitments received	**(1)**	**-**	**-**	**(1)**	**(1)**

(a) *Public-Private Partnerships (PPP) between the SFR, Vinci, AXA and TDF groups and Réseau Ferré de France (R.F.F.).*

(b) This amount includes mainly commitments given for Altice France subsidiaries in order to carry out their activities.

(c) *The Group has made unilateral promises to buy out minority interests of a financial partner in certain entities. Such promises can be made only in the event that the Group's entities do not meet the contractual commitments made when signing the related shareholders' agreements.*

(d) *This amount does not include the pledges granted for Senior secured debt requirements.*

33. Litigation

The Group is involved in legal and administrative proceedings that have arisen in the ordinary course of business.

A provision is recorded by the Group when there is sufficient probability that such disputes will lead to costs that the Group will bear and when the amount of these costs can be reasonably estimated. Certain Group companies are involved in some disputes related to the ordinary activities of the Group. Only the most significant litigation and proceedings in which the Group is involved are described below.

The Group is not aware of any governmental, legal or arbitration proceedings (including any proceedings of which the Group is aware that are pending or threatened) other than those described below in this section that may have or have had in the last twelve months significant effects on the financial position or profitability of the Group.

33.1. Tax disputes

33.1.1. NC Numericable

The French tax authorities have conducted audits of various Group companies since 2005 with respect to the VAT rates applicable to our multi-play offerings. Under the French General Tax Code, television services are subject to a reduced VAT rate of 5.5%, which was increased to 7% as of January 1, 2012 and to 10% from January 1, 2014, while Internet and telephony services are subject to the normal VAT rate of 19.6%, increased to 20% from January 1, 2014. When marketing multi-play offerings, the Group applies a price reduction on the price the Group would charge for these services on a stand-alone basis. This discount is primarily applied to the portion of its multi-play offers corresponding to its Internet and telephony services; the television service is the principal offer of the audited companies. As a result, the VAT charged to the Group's multi-play subscribers is lower than if the discount applied to the television portion of its packages or if it were prorated on all services.

The French tax authorities assert that these discounts should have been calculated pro rata of the stand-alone prices of each of the services (television, broadband Internet, fixed-line and/or mobile telephony) included in the multi-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Group has also received proposed adjustments for fiscal years 2011 and 2012 for NC Numericable, Numericable and Est Vidéocommunication primarily affecting the application of the VAT on the multi-play offers, despite the change in rules on January 1, 2011 that supports the Group's practice in this area.

The Group is disputing all of the proposed reassessments planned and has initiated appeals and dispute proceedings, which are at different stages, depending on the fiscal year in question for each of the fiscal years subject to reassessments.

By a decision from the French State Council on February 8, 2018, the Numericable request to be discharged of tax adjustments related to 2007, 2008 and 2009 was rejected.

The proposed assessments, concern mainly the VAT and in a minor part, the tax on Telecommunications Services are recognized in the financial statements as of December 31, 2017 in a provision amounted to €64 million (of which €31 million recorded in "Provisions" and the remaining amount in "Trade payables and other liabilities").

Finally, the DVNI notified the Company of a tax audit regarding VAT 2016.

33.1.2. SFR

In a proposed adjustment received on December 23, 2014, the tax authorities have contested the merger of Vivendi Telecom International (VTI) and SFR dated December 12, 2011 and therefore intend to challenge SFR's inclusion in the Vivendi tax consolidation group for fiscal year 2011. The tax authorities thus intended to tax SFR separately from the Vivendi tax consolidation group, leading to a corporate tax of €711 million (principal) plus late interest and surcharges amounting to €663 million, for a total adjustment of €1,374 million. The proposed assessment has been cancelled in November 2017. At the same time, an accounting audit of years 2011 to 2013 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The company, which is disputing the assessments proposed, maintained a provision of €43 million as of December 31, 2017.

The company is subject to a tax inspection concerning the years 2014 and 2015. The company received in December 2017 a proposed tax reassessment about taxes on top remunerations. This proposal gave rise to the booking of a provision of €7.7 million, and the company is contesting the majority of the contemplated adjustments.

Finally, the DVNI notified the Company of a tax audit regarding VAT 2016.

33.2. Civil and commercial disputes

33.2.1. Wholesale disputes

Complaint by Bouygues Telecom against SFR and Orange regarding the wholesale market in mobile call termination and the retail market in mobile telephony

The French Competition Council received a complaint from Bouygues Telecom against SFR and Orange claiming that the latter were engaged in anticompetitive practices in the mobile call termination and mobile telephony markets. On May 15, 2009, the French Competition Authority decided to postpone its decision and remanded the case for further investigation. On August 18, 2011, SFR received a complaint claiming unfair pricing. On December 13, 2012, the Competition Authority fined SFR €66 million for abuse of dominant position, which SFR has paid.

SFR appealed the decision. The case was heard by the Paris Court of Appeal on February 20, 2014. The Paris Court of Appeal rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to

the Court of Cassation, the French Supreme Court, by SFR on July 9, 2014; on October 6, 2015, the Court of Cassation rejected SFR's appeal) and asked the European Commission to provide an Amicus Curiae to shed light on the economic and legal issues raised by the case. The Court of Appeal postponed ruling on the merits of the case pending the Commission's opinion. The Commission rendered its opinion on December 1, 2014, which went against SFR. The Court of Appeal issued its ruling on May 19, 2016; it granted a 20% fine rebate to SFR due to the new nature of the infraction. The French treasury (Trésor Public) returned €13.144 million to SFR. SFR appealed on a point of law on June 20, 2016. As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, Omea Telecom and El Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. In accordance with the transaction between SFR and Bouygues Telecom in June 2014, the closing hearing of the conciliation proceedings was held on December 5, 2014. The motion for discontinuance granted on September 11, 2014 ended the legal action between the two companies. With respect to the claim by Omea Telecom (€67.9 million) and El Telecom (€28.6 million), SFR applied for stay on a ruling pending the decision of the Paris Court of Appeal, and obtained it. Omea withdrew on May 24, 2016. El Telecom decided to recommence its legal proceedings and updated its loss to €28.4 million. The procedure is pending.

eBizcuss.com against Virgin

eBizcuss.com filed a complaint against Virgin on April 11, 2012 before the French Competition Authority regarding an anticompetitive vertical agreement between Apple and its wholesale distributors (including Virgin). The case is pending.

Complaint by NC Numericable to the French Competition Authority

On May 20, 2015, NC Numericable filed a complaint against Groupe Canal Plus before the French Competition Authority based upon an abuse of dominant position of Groupe Canal Plus regarding its self-distribution. The complaint is pending.

Complaint by Orange Réunion and Orange Mayotte against SRR and SFR

Differential on-net/off-net pricing in the mobile telephony market in Mayotte and Reunion

Orange Réunion Orange Mayotte and Outremer Telecom filed a complaint with the French Competition Authority in June 2009 alleging unfair differential on-net/off-net pricing by SRR in the mobile telephony market on Mayotte and Réunion seeking conservatory measures from the Competition Authority.

On September 15, 2009, the French Competition Authority announced provisional measures against SRR, pending its decision on the merits. SRR had to discontinue any price spread exceeding its actual "off-net/on-net" costs in the network concerned.

As the French Competition Authority found that SRR had not fully complied with its injunction, it fined SRR €2 million on January 24, 2012.

In the proceedings on the merits, with regard to the "Consumers" component of the case, SRR requested and obtained a "no contest" on the complaints on July 31, 2013. On June 13, 2014, the Authority rendered its decision for the "Consumers" component of the case, fining SFR and its subsidiary SRR €45.9 million.

Non-residential mobile telephony market in Mayotte and Réunion

The SRR premises were raided and records seized on September 12, 2013. The operation focused on the non-residential mobile telephony market in Réunion and Mayotte and was also in response to the complaint filed by Outremer Telecom.

SRR appealed to the Senior Justice of the Saint-Denis Court of Appeals of Réunion against the decision authorizing the operation and a second appeal against its procedure. On June 13, 2014, the Senior Justice of the Saint-Denis Court of Appeals of Réunion handed down an order rescinding all the seizures at SRR in September 2013. The Competition Authority appealed this order.

With respect to the proceedings on the merits, the Competition Authority on February 12, 2015 sent a notice of complaints to SFR and SRR, which decided not to dispute the complaints. A report of no contest was signed on April 1, 2015. A session in front of the Authority board was held on September 15, 2015. On November 30, 2015, the French Competition Authority fined SRR (and SFR as the parent company) €10.8 million.

Compensation disputes

Following the Competition Authority's decision of September 15, 2009 (provisional measures) and pending the Authority's decision on the merits, on June 17, 2013, Outremer Telecom filed suit against SRR and SFR in the Commercial Court seeking remedy for the loss it believes it suffered as a result of SRR's practices.

Outremer Telecom claimed €23.5 million in damages subject to adjustment for unfair practices by SRR in the consumer market in mobile telephony on Réunion and Mayotte, and €1 million as damages in full for unfair practices by SRR in the business market in mobile telephony on Réunion and Mayotte.

Outremer withdrew from the proceedings against SRR and SFR on May 10, 2015.

On October 8, 2014, Orange Reunion sued SRR and SFR jointly and severally to pay €135.3 million for the loss suffered because of the practices sanctioned by the Competition Authority. Various procedural issues have been raised, on which a judgment is pending. The Court rendered its ruling on June 20, 2016 stating that the petitions of Orange Réunion cannot relate to the period preceding October 8, 2009 and therefore refused to exonerate SFR.

On December 20, 2016, following the Court's judgment, Orange updated its estimate of the loss it believes it suffered after October 8, 2009 and reached the amount of €88 million (which represents the non-time-barred portion of the alleged loss).

Complaint against Orange to the Competition Authority regarding the market in mobile telephony services for businesses

On August 9, 2010, SFR filed a complaint against Orange with the Competition Authority for anticompetitive practices in the business mobile telephony services market.

On March 5, 2015 the Competition Authority sent a notice of complaints to Orange. Four complaints were filed against Orange. On December 17, 2015, the Authority ordered Orange to pay a fine of €350 million.

On June 18, 2015, SFR filed suit against Orange in the Commercial Court and is seeking €2.4 billion in damages subject to adjustment as remedy for the loss suffered as a result of the practices in question in the proceedings with the Competition Authority. On June 21, 2016, Orange filed an injunction to disclose several pieces of confidential data in SFR's economic report for July 21, 2016. On June 28, 2017, the judge ruled on this procedural issue.

Following this ruling, two Data Rooms were opened at Orange, the first one in September for the mobile services, and the second one in October for the fixed services. The substantive debate will only start after the analysis from Orange of the documents placed in the Data Room.

Orange suit against SFR in the Paris Commercial Court (overflows case)

Orange filed a claim on August 10, 2011 with the Paris Commercial Court asking the Court to order SFR to immediately cease its unfair "overflow" practices and to order SFR to pay €309.5 million in contractual penalties. It accused SFR of deliberately organizing overflows onto the Orange network for the purpose of economically optimizing its own network (under designing the Primary Digital Block (PBN)). In a ruling of December 10, 2013, the Court ordered SFR to pay Orange €22.1 million. SFR and Orange both appealed the ruling. On January 16, 2015 the Paris Court of Appeals upheld the Commercial Court's ruling and SFR paid the €22.1 million. On January 13, 2017, SFR appealed the ruling.

On August 11, 2014, SFR also petitioned the District Court enforcement judge, who rendered his decision on May 18, 2015 by ordering SFR to pay €0.6 million (assessment of penalty for 118 abusive overflows).

On July 24, 2017, Orange summoned SFR before the Paris Commercial Court in order to obtain the payment of €11.8 million by application of contractual penalty clauses concerning misbehaviors between July 2011 and July 2014. At the same date, Orange summoned Completel before the same Court, for the same reasons and basis, but for an amount of €9.7 million.

By pleadings dated January 30, 2018, SFR and Completel asked for a ruling deferment in order to await the Court of Cassation judgment (second semester of 2018).

The upcoming proceeding hearing is scheduled in March 2018 for the conclusions of Orange on the ruling deferment.

Potential failure to meet commitments made by Numericable Group as part of the takeover of exclusive control of SFR by the Altice Group relating to the agreement signed by SFR and Bouygues Telecom on November 9, 2010.

Following a complaint from Bouygues Telecom, the Competition Authority officially opened an inquiry on October 5, 2015 to examine the conditions under which Altice France performs its commitments relating to the joint investment agreement entered into with Bouygues Telecom to roll out fiber optics in very densely populated areas.

A session before the Competition Authority board was held on November 22, and then on December 7, 2016.

On March 8, 2017, the Competition Authority imposed a financial sanction of €40 million against Altice and Altice France, for not having respected the commitments set out in the "Faber Agreement" at the time of the SFR acquisition by Numericable. This amount was recognized in the financial statements as of March 31, 2017 and was

paid during the second quarter. The Competition Authority also imposed injunctions (new schedule including levels of achievement, with progressive penalty, in order to supply all the outstanding access points).

A summary was lodged on April 13, 2017 before the Council of State. The judge in chambers of the Council of State said there is no matter to be referred. On September 28, 2017, the Council of State rejected the application for cancellation of the decision of the Competition Authority of Altice and SFR.

SFR against Orange: abuse of dominant position in the second homes market

On April 24, 2012, SFR filed a complaint against Orange with the Paris Commercial Court for practices abusing its dominant position in the retail market for mobile telephony services for non-residential customers.

On February 12, 2014, the Paris Commercial Court ordered Orange to pay to SFR €51 million for abuse of dominant position in the second homes market.

On April 2, 2014, Orange appealed the decision of the Commercial Court on the merits. On October 8, 2014, the Paris Court of Appeals overturned the Paris Commercial Court's ruling of February 12, 2014 and dismissed SFR's requests. The Court of Appeals ruled that it had not been proven that a pertinent market limited to second homes actually exists. In the absence of such a market, there was no exclusion claim to answer, due to the small number of homes concerned. On October 13, 2014 SFR received notification of the judgment of the Paris Court of Appeals of October 8, 2014 and repaid the €51 million to Orange in November 2014. On November 19, 2014, SFR appealed the ruling.

On April 12, 2016, the French Supreme Court overturned the Court of Appeal's decision and referred the case back to the Paris Court of Appeal. Orange returned €52.7 million to SFR on May 31, 2016. Orange refilled the case before the Paris Court of Appeal on August 30, 2016. The procedure is pending.

Orange against SFR and Bouygues Telecom (Sharing Agreement)

On April 29, 2014, Orange applied to the French Competition Authority to disallow the agreement signed on January 31, 2014 by SFR and Bouygues Telecom to share their mobile access networks, based on Article L. 420-1 of the French Commercial Code and Article 101 of the Treaty on the Functioning of the European Union (TFEU). In addition to this referral, Orange asked the Competition Authority for a certain number of injunctions against the companies involved.

In a decision dated September 25, 2014, the Competition Authority dismissed all of Orange's requested injunctions to stop SFR and Bouygues Telecom from implementing the agreement that they had signed to share part of their mobile networks.

Orange appealed the Competition Authority's decision to dismiss its request for provisional measures.

The Court of Appeal upheld this decision on January 29, 2015. Orange is now appealing the matter to the French Supreme Court. The Court of Cassation rendered a decision dismissing the appeal filed by Orange on October 4, 2016. The investigation of the merits continues.

Claim by Bouygues Telecom against NC Numericable and Completel

In late October 2013, NC Numericable and Completel received a claim from Bouygues Telecom regarding the "white label" contract signed on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play very-high-speed offers. In its letter, Bouygues Telecom claimed damages totaling €53 million because of this contract. Bouygues Telecom alleges a loss that, according to Bouygues Telecom, justifies damages including (i) €17.3 million for alleged pre-contractual fraud (providing erroneous information prior to signing the contract), (ii) €33.3 million for alleged non-performance by the Group companies of their contractual obligations and (iii) €2.4 million for alleged damage to Bouygues Telecom's image. The Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed.

On July 24, 2015, Bouygues Telecom filed suit against NC Numericable and Completel concerning the performance of the contract to supply very-high-speed links (2P/3P). Bouygues Telecom is accusing NC Numericable and Completel of abusive practices, deceit and contractual faults, and is seeking nullification of certain provisions of the contract and indemnification of €79 million. On June 21, 2016, Bouygues Telecom filed revised pleadings, increasing its claims for indemnification to a total of €180 million.

In addition, in a counter-claim, NC Numericable and Completel are seeking €10.8 million in addition to the contractual interest as well as €24 million in royalties due for fiscal years 2015, 2016 et 2017.

NC Numericable and Completel have made a new counterclaim based on the abrupt termination of business relations for an amount up to €32.6 million.

NC Numericable and Completel have filed their pleadings on January 30, 2018. The upcoming proceeding hearing is scheduled on April 10, 2018 for Bouygues Telecom conclusions.

Bouygues Telecom against SFR (Faber CCI)

On October 19, 2017, Bouygues Telecom submitted a request for arbitration to the secretary of the International Chamber of Commerce ("ICC") relating to a disagreement on the FTTH (Fiber to the Home) optical fiber network deployment.

Bouygues Telecom claimed that SFR had breached its contractual duties and the commitments made before the French Competition Authority for the Faber contract: SFR is mainly accused of some delays and of not having connected certain categories of buildings, and hence of having caused damage to Bouygues Telecom.

Bouygues Telecom alleged, until the introduction of this arbitration proceeding, that it suffered a prejudice. At this stage, Bouygues Telecom has not quantified its losses as part of the arbitration proceeding.

SFR has made a counterclaim of €19 million for the outstanding balances of certain IRU.

The Arbitration Court is being constituted.

SCT against SFR

On October 11, 2017, SCT summoned SFR before Paris Commercial Court for some supposed dysfunctions and multiple failings in the delivery of our Fixe services, such as the loss of final clients as part of the supply of mobile services (MVNO).

For this reason, SCT asks, on various grounds, for an amount around €48 million (divided into €25 million on the fixed services, €15 million for the loss of clients, €2 million for loss of revenues, €1 million for deployment delays, €3.5 million for dysfunctions which led a negative impact on their internal management, €0.5 million for overcharging, €0.8 million for purchases with Orange and €0.2 million for damages to their image).

This case was subject to a conciliation proceeding between the Parties. After the failure of this proceeding, the case was sent on the merits and SFR communicated its conclusions in response on March 13, 2018

33.2.2. **Consumer Disputes**

CLCV's summons and complaint against SFR

On January 7, 2013, the consumer association CLCV filed a complaint against SFR in the Paris Commercial Court. CLCV claimed that some of the clauses in SFR's general terms of subscription, and those of some other telephone operators, were unfair. It also asked for compensation for the collective loss suffered. The Paris District Court ruled that the clauses were unfair. SFR has appealed this ruling on April 16, 2015. The case was pleaded before the court of appeals of Paris on October 19, 2017. The decision is expected on March, 30, 2018.

Free against SFR: unfair practices for non-compliance with consumer credit provisions in a subsidized offer

On May 21, 2012, Free filed a complaint against SFR in the Paris Commercial Court. Free challenged the subsidy used in SFR's "Carrés" offers sold over the web between June 2011 and December 2012, claiming that it constituted a form of consumer credit and, as such, SFR was guilty of unfair practices by not complying with the consumer credit provisions, in particular in terms of prior information to customers. Free asked the Paris Commercial Court to require SFR to inform its customers and to order it to pay €29 million in damages. On January 15, 2013, the Commercial Court dismissed all of Free's requests and granted SFR €0.3 million in damages. On January 31, 2013, Free appealed the decision,

On March 9, 2016, the Paris Court of Appeal confirmed the Paris Commercial Court's ruling and denied all claims filed by Free. The amount of damages payable by Free to SFR was increased from €0.3 million to €0.5 million. On May 6, 2016, Free filed an appeal. SFR's pleadings in defense were filed on November 8, 2016.

The court of cassation rendered a decision on March 7, 2018 .This decision overturned and partially cancelled the decision rendered by the Court of Appeal and referred the case back to the Court of Appeal. The Court of Cassation considered that the Paris Court of Appeal had based its prior judgment on improper motives to exclude the mobile subsidy provided by SFR on its subscriptions from the scope of consumer credit. In addition, the Court of Cassation reaffirmed the sentencing for Free mobile to pay € 0.5 million for the defamation suffered by Altice France. The Group is awaiting the reintroduction of Free mobile's request before the Court of Appeals.

SFR against Iliad, Free and Free mobile: unfair competition by disparagement

On May 27, 2014, SFR filed a complaint against Iliad, Free and Free Mobile in the Paris Commercial Court for unfair competition claiming that when Free Mobile was launched and afterwards, Iliad, Free and Free Mobile were guilty of disparaging SFR services. SFR claimed €493 million in damages.

On September 9, 2016 by pleadings on counterclaims, Free requested the court to judge that SFR denigrated their capacities and services and claimed €475 million in damages. The Paris Commercial Court rendered its judgment on January 29, 2018. The Court sentenced Free Mobile to pay to SFR €20 million as moral damage as a result of unfair competition made by disparagement.

In addition, the court sentenced SFR to pay to Free Mobile €25 million as moral and material damage as a result of unfair competition made by disparagement.

Accordingly, the court sentences, as compensation, SFR to pay to Free Mobile €5 million as damages.

Disputes regarding the transfer of customer call centers from Toulouse, Lyon and Poitiers

Following the transfer of customer call centers from Toulouse and Lyon to the company Infomobile and the Poitiers call centers to a subsidiary of the Bertelsmann Group, the former employees at those sites filed legal actions at Labor Tribunals in each city to penalize what they claim were unfair employment contracts constituting fraud under Article L. 1224-1 of the French Labor Code and also contravening the legal provisions regarding dismissal for economic reasons. The rulings in 2013 were mixed as the Toulouse Court of Appeals penalized SFR and Téléperformance in half of the cases while the Lyon and Poitiers courts ruled in favor of SFR. The cases are now at different stages of proceedings: Labor Tribunal, Court of Appeals and Court of Cassation.

Litigation over distribution in the independent network (Consumer market and SFR Business Team)

SFR, like companies operating an indirect distribution model, faces complaints from a certain number of its distributors and almost routinely from former distributors. Such recurring complaints revolve around claims of sudden breach of contractual relations, abuse of economic dependency and/or demands for requalification as a sales agent as well as, more recently, demands for requalification as a contractual branch manager and requalification as SFR contracted point of sale staff.

Free against SFR

In July 2015, Free filed suit against SFR in order to stop it from using the word “Fiber,” claiming that the solution marketed by SFR is not a fiber to the home (FTTH) solution. Free considers SFR’s communication to be deceptive about substantial qualities and, on that basis, is asking the court to find there is parasitism and unfair competition.

On January 19, 2018, the court rendered a decision. The decision condemn SFR to:

- €1 million as moral damages;
- Communicate, within 90 days following the date of the judgment notification, to each client having subscribed to SFR or Numericable, of an offer including the term « fibre » (excluding FTTH offers) on IT support and paper support information relating to : i) the precise nature of its connection to optical fibre ii) the number of subscribers sharing coaxial connection and iii) the average connection speed at peak hours and off-peak hours;
- Inform, within 90 days following the date of the judgment notification, each client having subscribed to SFR or NC to an offer including the term « fibre » (excluding FFTH offers) that they benefit from a possibility of immediate termination to default of previous information about the exact characteristics of the offer;
- €0.1 million as article 700.

The court considered having made a material error in failing to mention provisional enforcement in the judgment. Accordingly, the court decided, by the judgment dated February 12, 2018, the provisional enforcement for all convictions in this case.

Pending notification of judgments by Free, SFR prepares the summons in summary proceedings for the First President of the Court of Appeal in order to cease provisional enforcement in this case.

Familles Rurales against SFR

In May 2015, *Familles Rurales* filed suit against SFR in the Paris District Court in the context of a class action seeking remedy for the loss allegedly suffered by consumers, claiming deceptive sales practices used by SFR in its communications about 4G.

On November 12, 2015, SFR argued the nullity of the summon. On April15, 2016, the judge of the *Mise en Etat* declined the request of SFR by ordinance. On April 29, 2016, SFR appealed this ordinance to the Court of Appeals of Paris. On April 20, 2017, the Court of Appeals confirmed the ordinance of the judge of the *Mise en Etat*. On May 17, 2017, SFR deposited its second pleadings to the judge, to which Familles Rurales provided their responses on November 14, 2017. Families Rurales represents about thirty individual casesThey claim, based on the fact that

ARCEP revealed dysfunctions on the 4G network of SFR in their department, that they were entitled to claim the repayment of their mobile phones and of their 4G subscription fees. F.R asked the Court to publish the relevant information in order to allow any subscriber to join this class action after the judgment and, thus, to obtain repayment of their mobile phones and f subscription fees. F.R requested a provision of €0.1 million. On February 27, 2018, the closing injunction was pronounced for SFR, followed by an audience with the judge of the mise en etat on March 7, 2018, before the start of the hearing on the pleadings.

Tracetel and Intermobility against SFR: Velib

In May 2017, Tracetel and Intermobility sued SFR before the “Tribunal de Commerce de Paris” in order to obtain compensation for the damage allegedly suffered by the two contracting parties in the context of the response to the tender procedure of the Vélib DSP. They accuse SFR of not having filed the joint offer and are asking for the sentencing of SFR to the tune of €69 million for loss of tender. To date, the Group is challenging the merits of these claims.

33.2.3. **Other disputes**

In-depth inquiry of the European Commission into the assignment of cable infrastructures by certain local authorities

On July 17, 2013, the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to NC Numericable was consistent with European Union government aid rules. In announcing the opening of this in-depth investigation, the European Commission indicated that it believes that the sale of public assets to a private company without proper compensation gives the latter an economic advantage not enjoyed by its competitors, and that it therefore constitutes government aid within the meaning of the rules of the European Union and that the free-of-charge transfer of the cable networks and ducts by 33 French municipalities to NC Numericable, they have argued, confers a benefit of this type and, as such, is government aid. The European Commission has expressed doubts about the compatibility of the alleged aid with the rules of the European Union. The Group firmly denies the existence of any government aid. In addition, the decision to open an investigation concerns a relatively small number of network connections (approximately 200,000), the majority of which have not been migrated to EuroDocsis 3.0 and only allow access to a limited number of the Group’s television services. The European Commission’s decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. Since then, discussions have continued within the framework of this process both in terms of comments from third parties as well as those from the parties to the proceedings as to the allegation of the existence of aid and its extent, with the Group firmly challenging the existence of any government aid.

Dispute with Orange concerning certain IRUs

The Group signed four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the Group’s acquisition of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs. Each of these IRUs covers a different geographic area and was signed for a term of 20 years.

Following ARCEP’s Decision 2008-0835 of July 24, 2008, Orange published, on September 15, 2008, a technical and commercial offer made to telecommunication operators allowing them access to the civil engineering infrastructures of the local wire-based network, pursuant to which the operators can roll out their own fiber networks in Orange’s ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Group enjoys under the Orange IRUs.

As a result, in December 2011, NC Numericable and Orange signed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set out in the IRUs with the procedures set out in the Orange general technical and commercial offer.

Lastly, NC Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of €2.7 billion for breach and modification of the IRUs by Orange. On April 23, 2012, the Commercial Court of Paris ruled in favor of Orange and dismissed the Group’s claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on NC Numericable by Orange under the terms of its general technical and commercial offer, published on September 15, 2008. NC Numericable appealed this decision before the Paris Court of Appeals and claimed the same amount of damages as it had before the Paris Commercial Court. Orange, in turn, claims that this proceeding materially impaired its brand and image, and is seeking an order to make NC Numericable pay damages of €50 million. In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed NC Numericable’s appeal, which was referred to the Court of Cassation on August 14, 2014. On February 2, 2015, the Court of Cassation set aside the ruling of the Paris Court of Appeals except in that it recognized NC Numericable’s interest in acting and referred the case back to the Paris Court of Appeals.

Action by Colt, Free and Orange in the General Court of the European Union concerning the DSP 92 project

Colt, Free and Orange, in three separate motions filed against the European Commission before the General Court of the European Union seeking to annul the European Commission's final decision of September 30, 2009 (Decision C (2009) 7426), which held that the compensation of €59 million granted for the establishment and operation of a high-speed electronic communications network in the department of Hauts-de-Seine does not constitute government aid within the meaning of the rules of the European Union. The Group is not party to this proceeding. Its subsidiary Sequalum is acting as the civil party, as well as the French government and the department of Hauts-de-Seine. In three rulings dated September 16, 2013, the General Court of the European Union rejected the requests of the three applicants and confirmed the aforementioned decision of the European Commission. Free and Orange have appealed to the Court of Justice of the European Union.

Litigation between Sequalum and CG 92 regarding DSP 92

A disagreement arose between the Hauts-de-Seine General Council ("CG92") and Sequalum regarding the terms of performance of a utilities public service concession contract ("THD Seine") signed on March 13, 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council; the purpose of this delegation was to create a very-high-speed fiber optic network in the Hauts-de-Seine region. The Hauts-de-Seine General Council meeting of October 17, 2014 decided to terminate the public service delegation agreement signed with Sequalum "for misconduct by the delegatee for whom it is solely responsible".

Pursuant to two decisions rendered on March 16, 2017, Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum against two enforcement measures issued by the department of Hauts-de-Seine in respect of penalties, for amounts of €51.6 million and €45.1 million. Sequalum appealed the two decisions before the Administrative Court of Versailles, but paid the amount of €97 million over the month of July. Refer to Note 4 – *Significant events for the fiscal year*.

Sequalum claims that the termination was unlawful and continued to perform the contract, subject to any demands that the delegator may impose. Should the competent courts confirm this interpretation of unlawful termination, Sequalum may primarily have (i) to repay the public subsidies received for the DSP 92 project, normally the outstanding component of the subsidies (the company received €25 million in subsidies from the General Council), (ii) to reimburse any deferred income (estimated at €32 million by the Department) and (iii) to compensate the Department for any losses suffered (amount estimated by the Department of €212 million).

In turn, the department of Hauts-de-Seine received the returnable assets of the DSP on July 1, 2015. Furthermore, the General Council will have to pay compensation to Sequalum, which essentially corresponds to the net value of the assets.

On October 16, 2014, Sequalum filed a motion in the Administrative Court of Cergy Pontoise requesting the termination of the public service concession because of *force majeure* residing in the irreversible disruption of the structure of the contract, with the resulting payment of compensation in Sequalum's favor.

At December 31, 2015, the assets were removed from Sequalum's accounts in the amount of €116 million. Income receivable in the amount of €139 million related to the expected indemnification was also recognized, an amount fully depreciated given the situation.

On July 11, 2016, the department of Hauts-de-Seine established a breakdown of all amounts due (in its opinion) by each Party for the various disputes, and issued demands based on said breakdown. Each amount was subject to a decision by the public accountant dated July 13, 2016 (final amount established by the latter for a net amount of €181.6 million, taking into account the carrying amount due in his opinion to Sequalum). This breakdown, the various demands and the compensation decision were subject to applications for annulment filed by Sequalum with the Administrative Court of Cergy Pontoise on September 10, 12 and 14, 2016. These applications remain pending, except for the application for annulment relating to the breakdown (the court having considered that the breakdown was not a measure which could be appealed. Sequalum appealed this decision before the Versailles Administrative Court of Appeals). Altice France outlined that it had its own optical fibre in the Haut-de-Seine department enabling it to serve its customers.

In September 2017, the department issued three revenue orders (titres de recette) in order to minimize the balance due to Sequalum at the time of counting. These demands were contested:

- Order of an amount of €23.2 million for the unamortized portion of the subsidies : SFR's appeal dismissed,
- Order of an amount of €31.9 million for deferred income : successful appeal for SFR,
- Order of an amount of €5.7 million for amounts received as prepayment for connections: SFR's appeal dismissed.

The Department issued a revenue order of €212 million for damages suffered as a result of the faults based on which the contract was terminated. The judgment was rendered on February 15, 2018. It reduces the indemnity by €187 million and reduces, correlatively, the amount of the revenue order to €26 million.

Litigation between Altice France and TF1 to the CSA

On April 25, 2017 Altice France (SFR and NC Numericable) filed with the French media regulator (CSA) a request for settlement of a dispute with regard to the distribution of channel television named T.F.1.

TF1 Group consider the subscription of a unique global commercial offer named “TF1 Premium” as a prerequisite of the distribution of free services on TNT. This subscription will bind TF1 Group’s linear and non-linear services and will lead to the payment by SFR of a significant amount as consideration for having access to the distribution rights of TF1 channels.

The estimated cost of the subscription to “TF1 Premium” is more than € 16 million per year. SFR refusal of this offer will conduct TF1 Group to end the services broadcast authorization on July 28, 2017.

Following the reaching of a settlement with TF1 group, SFR withdrew its request on November 7, 2017. On November 22, 2017, the CSA gave notice to SFR and TF1 of the abandonment of all of the requests submitted to it as part of settlement. Henceforth, the proceedings are closed.

Claim by TF1 Group against Altice France (The Nanterre Superior Court)

On July 28, 2017, TF1 Group interrupted the access on MyTF1 services for Altice France subscribers as a response to Altice France refusal to subscribe to the new TF1 global offer.

On august 2 and 3, Altice France , SFR and NC Numericable filed a summons for urgent proceedings before the Nanterre superior court, TF1 distribution, e-TF1, Télévision Française 1,Télé Monte Carlo, NT1, HD1 and LCI news channel in order:

- To note that the interruption of broadcasting of TF1 group free channels and public announcements constitutes an imminent threat of damage for Altice France ;
- The Nanterre Superior Court allow Altice France to distribute TF1 Group free channels until the final decision is made by the French Media regulator (CSA);
- The Nanterre Superior Court allow Altice France to allow and restore the broadcasting of My TF1.

The Nanterre Superior Court issued a temporary order on August 11, 2017.The president does not deal with the merits of the case and declare itself incompetent in favor of The Commercial Court of Nanterre.

On august 30, 2017, TF1 appealed the order of the Nanterre Superior Court dated August 11, 2017. The hearing was scheduled for November 15, 2017.

In parallel, on July 31, 2017, TF1 Group filed a complaint against Altice France for Counterfeiting before the senior justice of Nanterre district. The claim for compensation amounts €1.8 million.

Following a settlement, SFR and TF1 Group withdrew all of their actions before the relevant courts (Court of Appeals of Versailles, Nanterre Commercial Court, Nanterre First Instance Court).

Canal Plus Group (GCP) against SFR and NC Numericable

On October 4, 2017, GCP summoned SFR and NC Numericable before Paris Commercial Court. GCP claimed that both SFR and NC Numericable breached their contractual obligations and notably:

- the marketing of substitute products to the GCP allowing customer poaching from GCP offers to the benefit of « Altice » offers ;
- the decrease of GCP’s offers promotions ;
- the promotion of migration of the subscribers base in favour of FTTB offer, which does not allow access to Canalsat offer ;
- misleading advertising on contents (ex : « Le Grand Football est chez SFR ») ;
- the refusal to set up new offers ;
- the modification of the GCP channels numbering ;
- The GCP channels denigration on SC platforms.

GCP requested the termination of the above under financial penalty of thirty thousand euros per day, and damages in the amount of €174 million.

SFR and NC Numericable submitted theirs pleadings on January 26, 2018. The case was referred to the Court hearing of March 9, 2018 for the deposit of pleadings in response of GCP. The Group wholly contests the claims made by GCP.

34. List of consolidated entities

Entity	Country Registered office	Group interest		Method (1)	
		2017	2016	2017	2016
Altice France SA	France	100%	100%	Parent company	
SFR SA	France	100%	100%	FC	FC
NC Numericable SAS	France	100%	100%	FC	FC
Altice B2B France SAS	France	100%	100%	FC	FC
Ariège Telecom SAS	France	100%	100%	FC	FC
B3G International BV	Netherlands	100%	100%	FC	FC
Cap Connexion SAS	France	100%	100%	FC	FC
CID SA	France	100%	100%	FC	FC
SFR Business Distribution SA (ex. Cinq sur Cinq SA)	France	100%	100%	FC	FC
Completel SAS	France	100%	100%	FC	FC
Debitex Telecom SAS	France	100%	100%	FC	FC
Eur@seine SAS (2)	France	-	100%	-	FC
Eure et Loir THD SAS	France	100%	100%	FC	FC
Isère fibre SAS	France	100%	-	FC	-
FOD SNC	France	100%	100%	FC	FC
Foncière Velizy SCI	France	100%	100%	FC	FC
Futur Telecom SAS	France	100%	100%	FC	FC
Gravelines Network SAS	France	100%	100%	FC	FC
Haut-Rhin Telecom SAS	France	100%	100%	FC	FC
LD Communications BV (4)	Netherlands	-	100%	-	FC
LD Communications Italie Srl	Italy	100%	100%	FC	FC
LD Communications Suisse SA	Switzerland	100%	100%	FC	FC
Loiret THD SAS	France	100%	100%	FC	FC
LTBR SA	France	100%	100%	FC	FC
MACS THD SAS	France	100%	100%	FC	FC
Numergy SAS	France	100%	100%	FC	FC
Numericable US LLC	USA	100%	100%	FC	FC
Numericable US SAS	France	100%	100%	FC	FC
Oise Numérique SAS	France	100%	100%	FC	FC
Omea Holding SAS (2)	France	-	100%	-	FC
Omea Telecom SAS (2)	France	-	100%	-	FC
Omer Telecom LTD	United Kingdom	100%	100%	FC	FC
Opalys Telecom SAS	France	100%	100%	FC	FC
Pays Voironnais Network Part. SAS (2)	France	-	100%	-	FC
Pays Voironnais Network SAS	France	100%	100%	FC	FC
Rennes Métropole Telecom SAS	France	100%	100%	FC	FC
Rimbaud Gestion B SCI	France	100%	100%	FC	FC
Sequalum Participation SAS	France	100%	100%	FC	FC
Sequalum SAS	France	100%	100%	FC	FC
SFCM SA	France	100%	100%	FC	FC
SFR Distribution SA (ex. SFD SA)	France	100%	100%	FC	FC
SFR Collectivités SA	France	100%	100%	FC	FC
SFR Développement SAS	France	100%	100%	FC	FC
SFR Participation	France	100%	100%	FC	FC
SFR Service Client SA (5)	France	-	100%	-	FC
SHD SA	France	100%	100%	FC	FC
SID SCS (2)	France	-	100%	-	FC
SIG 50 SA	France	100%	100%	FC	FC

Entity	Country Registered office	Group interest		Method [(1)]	
		2017	2016	2017	2016
SRR SCS	France	100%	100%	FC	FC
SFR Business Solutions SAS (ex. Telindus France) (2)	France	-	100%	-	FC
SFR Business Solutions Morocco SA (ex. Telindus Morocco SA)	Morocco	100%	100%	FC	FC
TME France SA	France	100%	100%	FC	FC
Valofibre SAS	France	100%	100%	FC	FC
Ypso Finance S.à.r.l	Luxembourg	100%	100%	FC	FC
Ypso France SAS	France	100%	100%	FC	FC
Ypso Holding S.à.r.l (2)	Luxembourg	-	100%	-	FC
2SIP SAS	France	100%	100%	FC	FC
Alsace Connexia SAS	France	70%	70%	FC	FC
Iris 64 SAS	France	70%	70%	FC	FC
Manche Telecom SAS	France	70%	70%	FC	FC
Medi@lys SAS	France	70%	70%	FC	FC
Teloise SAS	France	70%	70%	FC	FC
Inolia SA	France	60%	60%	FC	FC
Synerail Exploitation SAS	France	60%	60%	FC	FC
Moselle Telecom Part. SAS	France	56%	56%	FC	FC
Comstell SAS	France	50%	50%	FC	FC
Dokeo TV SAS (4)	France	-	50%	-	EM
Foncière Rimbaud 1 SAS	France	50%	50%	EM	EM
Foncière Rimbaud 2 SAS	France	50%	50%	EM	EM
Foncière Rimbaud 3 SAS	France	50%	50%	EM	EM
Foncière Rimbaud 4 SAS	France	50%	50%	EM	EM
Infracos SAS	France	50%	50%	JV	JV
La Poste Telecom SAS	France	49%	49%	EM	EM
Synerail Construction SAS	France	40%	40%	EM	EM
VOD Factory SAS	France	40%	40%	EM	EM
Moselle Telecom SAS	France	39%	39%	FC	FC
Fischer Telecom SAS	France	34%	34%	EM	EM
Synerail SAS	France	30%	30%	EM	EM
Buyster SA	France	25%	25%	EM	EM
Irisé SAS	France	25%	25%	FC	FC
Ocealis SAS	France	25%	25%	EM	EM
AF 83 SAS (5)	France	-	25%	-	EM
Sud Partner SARL	France	24%	24%	EM	EM
Sofialys SAS	France	24%	24%	EM	EM
Alpha Distri SAS (5)	France	-	100%	-	FC
Coalition Media group SAS	France	25%	-	EM	-
Altice Media Events SAS	France	100%	100%	FC	FC
Altice Media Publicité SAS	France	100%	100%	FC	FC
SFR Presse Distribution SAS (ex. AMG Distribution)	France	100%	100%	FC	FC
Animotion EURL (5)	France	-	100%	-	FC
A nous Paris SAS	France	100%	100%	FC	FC
Audience Square SAS	France	18%	18%	EM	EM
Automotive Media EURL (5)	France	-	100%	-	FC
Decovery SAS	France	100%	100%	FC	FC
Forum de l'investissement SA	France	100%	100%	FC	FC
Groupe L'Express SA (ex. groupe Altice Media)	France	100%	100%	FC	FC
Holco B SAS	France	100%	100%	FC	FC
i24 News SARL	Luxembourg	100%	100%	FC	FC
It For Business SARL (5)	France	-	100%	-	FC

Entity	Country Registered office	Group interest 2017	Group interest 2016	Method (1) 2017	Method (1) 2016
Job Rencontres SA (5)	France	-	100%	-	FC
L'Etudiant SAS (5)	France	-	100%	-	FC
L'express Ventures SAS	France	69%	69%	FC	FC
Libération SARL	France	100%	96%	FC	FC
Libération Medias SARL	France	100%	96%	FC	FC
Media Consumer Group SA	France	100%	100%	FC	FC
Microscoop SARL (5)	France	-	100%	-	FC
Middle East News Ltd	Israël	100%	100%	FC	FC
Newsco Digital EURL (5)	France	-	100%	-	FC
Newsco Events SARL (5)	France	-	100%	-	FC
Holco A SAS (ex.Newsco Group SAS)	France	100%	100%	FC	FC
01 net Mag SAS (ex.Newsco Mag SAS)	France	100%	100%	FC	FC
Newsco Regie EURL (5)	France	-	100%	-	FC
Newsco Services EURL (5)	France	-	100%	-	FC
Pampa Presse EURL (5)	France	-	100%	-	FC
Partenaire Développement SARL	France	-	25%	-	EM
Presse Media Participations SAS	France	100%	96%	FC	FC
PMP Holding SAS	France	100%	100%	FC	FC
Pole Electro EURL (5)	France	-	100%	-	FC
Prelude & Fugue SAS	France	100%	100%	FC	FC
Publi-News SARL (5)	France	-	100%	-	FC
S2C SARL (5)	France	-	100%	-	FC
SFR Presse SAS (ex. Altice Media Group France)	France	100%	100%	FC	FC
Société Nouvelle de Télécommunication et Communication SARL	France	100%	95%	FC	FC
Technologues culturels SAS	France	100%	100%	FC	FC
Telecom Presse SARL (5)	France	-	100%	-	FC
Topix Media SARL (5)	France	-	100%	-	FC
Voix du Nord l'étudiant SA (5)	France	-	50%	-	EM
Altice Content Luxembourg SA	Luxembourg	76%	76%	FC	FC
Altice Content France SAS (6)	France	-	76%	-	FC
NextRadioTV SA	France	37%	37%	FC	FC
NextInteractive SASU	France	37%	37%	FC	FC
NextRégie SASU	France	37%	37%	FC	FC
Groupe Tests Holding SASU	France	37%	37%	FC	FC
RMC SA Monégasque	France	37%	37%	FC	FC
RMC Sport SASU	France	37%	37%	FC	FC
RMC Découverte SAS	France	37%	37%	FC	FC
RMC BFM Production SASU	France	37%	37%	FC	FC
BFM TV SASU	France	37%	37%	FC	FC
Business FM SASU	France	37%	37%	FC	FC
BFM PARIS SASU (ex.CBFM)	France	37%	37%	FC	FC
BFM Business TV SASU	France	37%	37%	FC	FC
NEXTDEV SASU	France	37%	37%	FC	FC
RMC BFM Edition SASU	France	37%	37%	FC	FC
Next Pictures SASU (ex.NextRadioTV Production)	France	37%	37%	FC	FC
BFM Sport SASU	France	37%	37%	FC	FC
WMC SAS	France	37%	37%	FC	FC
La Banque Audiovisuelle SASU	France	37%	37%	FC	FC
NEXTPROD SAS	France	37%	37%	FC	FC
Newco B SASU	France	37%	37%	FC	FC

Entity	Country Registered office	Group interest 2017	Group interest 2016	Method (1) 2017	Method (1) 2016
Groupe News Participations SAS	France	37%	37%	FC	FC
Newco E SASU	France	37%	37%	FC	FC
SPORTSCOTV SASU	France	37%	37%	FC	FC
Newco G SASU (ex.BFM Paris)	France	37%	37%	FC	FC
Newco C SASU	France	37%	37%	FC	FC
PHO Holding SASU (3)	France	19%	15%	FC	EM
Diversité TV France SAS (3)	France	19%	15%	FC	EM

(1) FC = Full Consolidation; EM = Equity Method; JV = Interest in Joint Venture
(2) Companies absorbed in 2017
(3) Change in consolidation method as of January 1, 2017
(4) Companies liquidated in 2017
(5) Companies sold in 2017
(6) Companies no longer consolidated in 2017
(7) Entry in the Group in 2017

35. Entity consolidating the financial statements

The consolidated financial statements of Altice France are included in the consolidated financial statements of Altice N.V., a company listed for trading in the Netherlands.

36. Subsequent events

Altice Group Reorganization

On January, 8 2018 Altice N.V. announced the separation of American businesses from European businesses, Altice N.V. becoming then Altice Europe. The closing of this transaction is expected in the end of the second quarter 2018.

Altice NV also announced that existing sports content wholesale contracts between Altice France and Altice Pay TV would be cancelled and replaced by new contracts (revenue sharing) with a lower guaranteed minimum income. Altice TV will be eligible to receive an indemnity as part of the renegotiation.

Altice Europe will reorganize its structure comprising Altice France, Altice International and Altice Pay TV.
Altice France will acquire the shares held by Altice International in Outremer Telecom, Altice Technical Services France and Altice Customer Services. The total amount of these transactions is expected to amount to €550 million euros.

Agreement with ARCEP concerning “Zones blanches” sites

On January 14, 2018, Altice France, along with the operators in the French telecom market, reached an agreement with the French telecom regulator (“ARCEP”) and the French state in order to improve mobile coverage in certain poorly covered mobile areas (“Zones blanches”), in exchange for concessions on future mobile spectrum auctions and the scrapping of a specific spectrum based tax for the new sites deployed as part of this initiative (“IFER”).

As part of the deal, and in exchange for a prolongation of the existing spectrums bands (900/1800/2100 Mhz), the Group has agreed to generalize 4G coverage on all the mobile sites (and 75% of the Zones blanches sites) in 2020 and the implementation of 4G on all Zones blanches site by 2022.

Change of name of SFR Group SA in Altice France SA

On February, 9 2018, the company’s Board of Directors, decided to rename SFR Group SA in Altice France SA.

Altice N.V. enters into exclusivity for the sale of its international wholesale voice carrier business

On March 12, 2018, Altice NV and Altice France announced that they had entered into exclusivity with Tofane Global, a Paris-based telecommunications and digital player specializing in international carrier services, for the sale of its international wholesale voice carrier business in France.

This transaction shows further execution of the Group's non-core asset disposal program to strengthen the company's long-term balance sheet position and focus on improving the operational and financial results of its key franchises.

Sale of mobile towers

In its annual results call held on March 16, 2018, Altice N.V. confirmed that the sales process to dispose of the mobile towers in France, Dominican Republic and Portugal is underway, with the signing of an agreement expected during the first half year of 2018.

37. Auditors' fees

The fees of the Altice France auditors and the members of their networks recognized as expenses in the Group consolidated financial statements at December 31, 2017 are presented in the table below:

	KPMG	Deloitte	Total
(in € millions)	Amount	Amount	Amount
Fees related to certification of individual and consolidated statements	**1.4**	**1.8**	**3.2**
- Statutory audit	*1.4*	*1.8*	*3.2*
- Network	-	-	-
Services other than statutory audit	**0.2**	**0.2**	**0.4**
- Legal and regulatory diligences	-	-	-
- Comfort letters	-	-	-
- Other	*0.2*	*0.2*	*0.4*
	1.6	**2.0**	**3.6**