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LISTING PARTICULARS
DATED AS OF AUGUST 20, 2018

$1,750,000,000 8.125% Senior Secured Notes due 2027

€1,000,000,000 5.875% Senior Secured Notes due 2027

issued by
ALTICE FRANCE S.A.

Altice France S.A., a public limited liability company (*société anonyme*) organized and established under the laws of France (the "**Issuer**"), offered $1,750 million aggregate principal amount of its 8.125% senior secured notes due 2027 (the "**Dollar Notes**") and €1,000 million aggregate principal amount of its 5.875% senior secured notes due 2027 (the "**Euro Notes**", together with the Dollar Notes, the "**Notes**"). Interest on the Notes is payable, as applicable, semi-annually in cash in arrears on August 1 and February 1 of each year, commencing February 1, 2019. The Notes mature on February 1, 2027.

At any time prior to February 1, 2022, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a "make whole" premium plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time prior to February 1, 2022, the Issuer may redeem up to 40% of the Dollar Notes and/or up to 40% of the Euro Notes at a redemption price set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time on or after February 1, 2022, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date.

Further, the Issuer may redeem all but not less than all of the Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date upon the occurrence of certain changes in tax law. Upon the occurrence of certain events constituting a change of control triggering event, as defined in the Indenture (as defined herein), the Issuer is required to make an offer to repurchase all of the Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of purchase. The Issuer may be required to make an offer to purchase the Notes upon the sale of certain of its assets.

The Notes are senior secured obligations of the Issuer. The Notes are guaranteed on a senior secured basis (the "**Guarantees**") by the Guarantors (as defined herein) and the Notes benefit from the Notes Collateral (as defined under "*Description of Notes—Notes Security*").

The Notes Collateral also secures (either directly or indirectly by virtue of the Intercreditor Agreement (as defined herein)), the obligations of the Issuer and the Guarantors under the Existing Term Loans, the Existing Revolving Credit Facilities, the Existing Notes and certain hedging agreements. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from the Notes Collateral *pari passu* with the lenders under the Existing Term Loans and the Existing Revolving Credit Facilities, the holders of the Existing Notes and counterparties to certain hedging agreements subject to the terms thereof. The security interests in the Notes Collateral may be released under certain circumstances. See "*Summary—The Offering*", "*Corporate and Financing Structure*" and "*Risk Factors—Risks Relating to the Notes and the Structure*".

These Listing Particulars constitute a prospectus for the purposes of Part IV of the Luxembourg law dated July 10, 2015 on prospectuses for securities as amended. These Listing Particulars shall only be used for the purposes for which it has been published.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 27 of these Listing Particulars.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the laws of any other jurisdiction, and may not be offered or sold within the United States except in compliance with Rule 144A under the U.S. Securities Act ("**Rule 144A**"). In the United States, the offering has been made only to "qualified institutional buyers" (as defined in Rule 144A) in compliance with Rule 144A. You are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the offering has been made to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). Please see "*Notice to Investors*" for additional information about eligible offerees and transfer restrictions.

The Dollar Notes are in registered form in minimum denominations of $200,000 and integral multiples of $1,000 above $200,000. The Euro Notes are in registered form in minimum denominations of €100,000 and integral multiples of €1,000 above €100,000. The Notes are represented on issue by one or more global notes that were delivered through The Depository Trust Company

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(“**DTC**”), Euroclear SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”), as applicable, on or about July 31, 2018, 2018 (the “**Issue Date**”). Interests in each global note are exchangeable for definitive notes only in certain limited circumstances. See “*Book-Entry, Delivery and Form*”.

Dollar Notes price: 100.000 % plus accrued interest from the Issue Date.

Euro Notes price: 100.000 % plus accrued interest from the Issue Date.

Joint Bookrunners

Goldman Sachs International **BNP PARIBAS** **J.P. Morgan**

Barclays **BofA Merrill Lynch** **Citigroup** **Crédit Agricole CIB** **Credit Suisse**

Deutsche Bank **ING** **Morgan Stanley** **RBC Capital Markets** **Société Générale**

Neither the Issuer nor any of its subsidiaries or affiliates has authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in these Listing Particulars. You must not rely on unauthorized information or representations.

These Listing Particulars do not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in these Listing Particulars is, unless otherwise specified, current only as of the date hereof, and may change after that date. For any time after the date of these Listing Particulars, the Issuer does not represent that its affairs or the affairs of the Group (as defined herein) are the same as described or that the information in these Listing Particulars is correct, nor does it imply those things by delivering these Listing Particulars or selling securities to you.

The Issuer and the Initial Purchasers (as defined below) have offered to sell the Notes only in places where offers and sales are permitted.

IN CONNECTION WITH THE OFFERING OF THE NOTES, GOLDMAN SACHS INTERNATIONAL (THE "**STABILIZING MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER), MAY OVER ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

The Issuer has offered the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**") or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offense in the United States.

These Listing Particulars are being provided for informational use solely in connection with consideration of a purchase of the Notes (i) to U.S. investors that the Issuer reasonably believes to be "qualified institutional buyers" as defined in Rule 144A, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S. Their use for any other purpose is not authorized.

These Listing Particulars are for distribution only to persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). These Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relate is available only to relevant persons and will be engaged in only with relevant persons.

These Listing Particulars have been prepared on the basis that all offers of the Notes were made pursuant to an exemption under Article 3 of Directive 2003/71/EC as amended (including by Directive 2010/73/EU) (the "Prospectus Directive"), as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. None of the Issuer or the Initial Purchasers has authorized, nor does any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the Notes contemplated in these Listing Particulars.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer target market assessment) and determining appropriate distribution channels.

These Listing Particulars constitutes a prospectus for the purpose of part IV of the Luxembourg act dated July 10, 2005, on prospectuses for securities, as amended (the "**Prospectus Act**") and for the purpose of the rules and regulations of the Luxembourg Stock Exchange.

The Issuer has prepared these Listing Particulars solely for use in connection with the offering and for applying to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

You are not to construe the contents of these Listing Particulars as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of the Issuer and the Group and your own assessment of the merits and risks of investing in the Notes. The Issuer is not, and the Initial Purchasers and the Trustee, and their respective agents, are not making any representation to you regarding the legality of an investment in the Notes by you.

Nothing set forth herein constitutes a recommendation that any person take or refrain from taking any course of action within the meaning of U.S. Department of Labor Regulation §2510.3-21(b)(1).

The information contained in these Listing Particulars have been furnished by the Issuer and other sources it believes to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any of the information set out in these Listing Particulars, and nothing contained in these Listing Particulars is or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or the future. These Listing Particulars contain summaries, believed by the Issuer to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by the Issuer upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the Notes will also be available for inspection upon request at the specified offices of the Issuer. All summaries of the documents contained herein are qualified in their entirety by this reference. The contents of our website, and the contents of any other website referred to herein, are not incorporated into these Listing Particulars and do not form part of it.

The Issuer accepts responsibility for the information contained in these Listing Particulars. The Issuer has made all reasonable inquiries and confirmed to the best of its knowledge, information and belief that the information contained in these Listing Particulars with regard to it, each of its subsidiaries and affiliates, and the Notes are true and accurate in all material respects, that the opinions and intentions expressed in these Listing Particulars are honestly held, and that it is not aware of any other facts the omission of which would make these Listing Particulars or any statement contained herein misleading in any material respect.

No person is authorized in connection with any offering made pursuant to these Listing Particulars to give any information or to make any representation not contained in these Listing Particulars, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, any other member of the Group (as defined herein), the Initial Purchasers, the Trustee (as defined herein) or their respective agents. The information contained in these Listing Particulars is current at the date of the Offering Memorandum. Neither the delivery of these Listing Particulars at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set out in these Listing Particulars or in the Issuer's or the Group's affairs since the date of these Listing Particulars.

The information set forth in relation to sections of these Listing Particulars describing clearing arrangements, including the section entitled "*Book-Entry, Delivery and Form*", is subject to any change in, or reinterpretation of, the rules, regulations and procedures of DTC, Euroclear and/or Clearstream, as applicable, currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning DTC, Euroclear and/or Clearstream, as applicable, it accepts no further responsibility in respect of such information. In addition, these Listing Particulars contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference.

The distribution of these Listing Particulars and the offer and sale of the Notes may be restricted by law in some jurisdictions. Please see "*Notice to U.S. Investors*", "*Prohibition of Offers To EEA Retail Investors*", "*Professional Investors and ECPS only Target Market*", "*Notice to Certain European Investors*" and "*Notice to Investors in Canada*". Persons into whose possession these Listing Particulars or any of the Notes come must inform themselves about, and observe, any restrictions on the transfer and exchange of the Notes. See "*Plan of Distribution*" and "*Notice to Investors*".

These Listing Particulars do not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess these Listing Particulars. You must also obtain any consents or approvals that you need in order to purchase any Notes. The Issuer and the Initial Purchasers are not responsible for your compliance with these legal requirements.

The Notes are available in book-entry form only. The Notes sold pursuant to these Listing Particulars have been issued in the form of one or more global notes, which have been deposited and registered in the name of the nominee of a common depositary for DTC, Euroclear and/or Clearstream, as applicable. Beneficial interests in the global notes will be shown on, and transfers of the global notes will be effected only through, records maintained by DTC, Euroclear and/or Clearstream, as applicable and its respective participants. Notes in certificated form will be issued in exchange for the global notes only in the limited circumstances as set forth in the Indenture. Please see "*Book-Entry, Delivery and Form*".

NOTICE TO U.S. INVESTORS

Each purchaser of the Notes is deemed to have made the representations, warranties and acknowledgements that are described in these Listing Particulars under "*Notice to Investors*". The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*". The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell transfer or deliver, directly or indirectly, any Note to the public.

PROHIBITION OF OFFERS TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). No key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of the product approval process of each of Goldman Sachs International, BNP Paribas and J.P. Morgan Securities plc (each, a "**manufacturer**"), the target market assessment in respect of the Notes described in these Listing Particulars have led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO CERTAIN EUROPEAN INVESTORS

France. These Listing Particulars have not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the Règlement Général of the Autorité des marchés financiers (the "**AMF**") and therefore have not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and offers and sales of the Notes are only made in France to providers of investment services relating to portfolio management for the account of third parties *(personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) acting for their own accounts, as defined in and in accordance with Articles L. 411 and-1, L. 411-2, D. 411-1, D744-1, D 754-1 and D 764-1 of the *Code of Monétaire et Financier*. No re-transfer, directly or indirectly, of the Notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in Articles L 411-1, L 411, 2, L 412-1 and L 674-8 *et seq* of the French *Code of Monétaire et Financier* shall be made. Neither these Listing Particulars nor any other offering material may be distributed to the public in France.

United Kingdom**.** These Listing Particulars are for distribution only to, and is only directed at, persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations, etc.**") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). These Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on these Listing Particulars or any of its contents

Grand Duchy of Luxembourg**.** These Listing Particulars have not been approved by and will not be submitted for approval to the Luxembourg Supervision Commission of the Financial Sector (Commission de Surveillance du Secteur Financier) for purposes of a public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither these Listing Particulars nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which make a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended (the "**Prospectus Act**") and implementing the Prospectus Directive. Consequently, these Listing Particulars and any other offering memorandum, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act and (ii) no more than 149 prospective investors, which are not qualified investors.

The Netherlands**.** The Notes (including rights representing an interest in each Global Note that represents the Notes) may not be offered or sold to individuals or legal entities in the Netherlands other than to qualified investors (*gekwalificeerde beleggers*) as defined in the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*).

Germany**.** The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of

April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. These Listing Particulars have not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Prospectus Directive and accordingly the Notes may not be offered publicly in Germany.

Spain. The offering of the Notes has not been registered with the Comisión Nacional del Mercado de Valores and therefore the Notes may not be offered or sold or distributed in Spain except in circumstances that do not qualify as a public offer of securities in Spain in accordance with article 35 of the Securities Market Act ("*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*") as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*"), and any regulations developing it which may be in force from time to time.

Italy. The offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation, and will not be subject to formal review by CONSOB. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of these Listing Particulars or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors (*investitori qualificati* or *clienti professionali*) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**Regulation No. 16190**"), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"); and (b) in any other circumstances that are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under (a) or (b) above and must be:

(a) made by *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Italian Financial Act), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, the Regulation No. 16190, as amended, Legislative Decree No. 385 of September 1, 1993, as amended (the "**Italian Banking Act**"), the Issuer Regulation and any other applicable laws and regulations; and

(b) in compliance with all relevant Italian securities, tax, exchange control and any other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other relevant Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

Austria. These Listing Particulars have not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither these Listing Particulars nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither these Listing Particulars nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria

Switzerland. The Notes are being offered in Switzerland on the basis of a private placement only. These Listing Particulars, as well as any other material relating to the Notes which are the subject of the offering contemplated by these Listing Particulars, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations (SR 220) and does not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers' Association. The Notes will not be listed on the SIX Swiss Exchange Ltd or any other Swiss stock exchange or regulated trading facility and, therefore, the documents relating to the Notes, including, but not limited to, these Listing Particulars, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or the listing rules of any other Swiss stock exchange or regulated trading facility. Neither these Listing Particulars nor any other material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected, hand picked investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. These Listing Particulars, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. These Listing Particulars, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Portugal. Neither the offering, nor the Notes have been approved by the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários*, the "**CMVM**") or by any other competent authority of another member state of the European Union and notified to the CMVM.

Neither the Issuer nor the Initial Purchasers have, directly or indirectly, offered or sold any Notes or distributed or published these Listing Particulars, any prospectus, form of application, advertisement or other document or information in Portugal relating to the Notes and will not take any such actions in the future, except under circumstances that will not be considered as a public offering under article 109 of the Portuguese Securities Code (*Código dos Valores Mobiliários*, the "**Cód.VM**") approved by Decree Law 486/99 of 13 November 1999, as last amended by Decree Law 89/2017 of 28 July 2017.

As a result, the offering and any material relating to the Notes are addressed solely to, and may only be accepted by, any person or legal entity that is resident in Portugal or that will hold the notes through a permanent establishment in Portugal (each a "**Portuguese Investor**") to the extent that such Portuguese Investor (i) is deemed a qualified investor (*investidor qualificado*) pursuant to paragraph 1 of article 30 of the Cód.VM, (ii) is not treated by the relevant financial intermediary as a non-qualified investor (*investidor não qualificado*) pursuant to article 317 of the Cód.VM and (iii) does not request the relevant financial intermediary to be treated as a non-qualified investor (*investidor não qualificado*) pursuant to article 317-A of the Cód.VM.

Sweden. These Listing Particulars are not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered these Listing Particulars or will examine, approve or register these Listing Particulars. Accordingly, these Listing Particulars may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act.

Denmark. These Listing Particulars have not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) or any other regulatory authority in Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark by way of public offering, unless in compliance with the Danish Capital Markets Act (Consolidated Act No. 12 of January 8, 2018 on capital markets (*Lov om kapitalmarkeder*) and executive orders issued thereunder and in compliance with Executive Order No. 747 of 7 June 2017 issued pursuant to the Danish Financial Business Act to the extent applicable

Norway. These Listing Particulars have not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time (the "**Securities Trading Act**"). Accordingly, these

Listing Particulars may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

NOTICE TO INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if these Listing Particulars (including any amendment thereto) contain a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering.

THESE LISTING PARTICULARS CONTAIN IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and the Issuer is neither subject to Section 13 or 15(d) of the U.S. Exchange Act of 1934, as amended (the "**U.S. Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer at the registered office of the Issuer, 16, rue du Général Alain de Boissieu, 75015 Paris, France. Copies of the Indenture governing the Notes, the forms of the Notes and the Intercreditor Agreement will be made available upon request to the Paying Agents or to the Issuer at the address above.

The Issuer is not currently, and will not be, subject to the periodic reporting and other information requirements of the U.S. Exchange Act. Pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, the Issuer will furnish periodic information to the holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*".

SUBSCRIBER, INDUSTRY AND MARKET DATA

Key Performance Indicators

These Listing Particulars include information relating to certain key performance indicators of the Group (as defined herein), including, among others, number of homes passed, subscribers and ARPUs, which the Group's management uses to track the financial and operating performance of its businesses. In each case, none of these terms are measures of financial performance under IFRS (as defined herein), nor have these measures been audited or reviewed by an auditor, consultant or expert. All of the measures relating to the Group are derived from the internal operating systems of the Group. As defined by the Group, these terms may not be directly comparable to corresponding or similar terms used by competitors or other companies. Please refer to the meanings of these terms as defined by the Group included elsewhere in these Listing Particulars.

Market and Industry Data

These Listing Particulars contain statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

We have generally obtained the market and competitive position data in these Listing Particulars from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable, and from information made publicly available by our competitors and other market participants. Nonetheless, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases, we have made statements in these Listing Particulars regarding the Group's industry and position in the industry based on our experience and our own investigation of market conditions. Internal analyses, surveys or information, which we believe to be reliable, have not been verified by any independent sources and we cannot assure you that any of these assumptions are accurate or correctly reflect the Group's position in the industry. Neither we nor any of the Initial Purchasers make any representation as to the accuracy of such information.

Certain monetary amounts, percentages and other figures included in these Listing Particulars have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100%.

FORWARD LOOKING STATEMENTS

These Listing Particulars contain "forward looking statements" as that term is defined by the U.S. federal securities laws. These forward looking statements include, but are not limited to, statements other than statements of historical facts contained in these Listing Particulars, including, but without limitation, those regarding our future financial condition, results of operations and business, our products, acquisitions, dispositions and finance strategies, our capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our markets, anticipated cost increases, synergies, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "project", "should", and "will" and similar words used in these Listing Particulars.

By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond the Group's control. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. Such forward looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which the Group operates. We caution readers not to place undue reliance on the statements, which speak only as of the date of these Listing Particulars, and it expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statement contained herein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

Where, in any forward looking statement, the Group expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward looking statements included in these Listing Particulars include those described under "*Risk Factors*".

The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- the highly competitive nature of the Group's industries;
- the deployment of fiber and/or VDSL2 networks and/or new generation mobile networks by the Group's competitors;
- the economic environment in France;
- product quality issues;
- customer churn;
- market acceptance of new product introductions and product innovations;
- the Group's response to technological developments;
- the Group's reliance on third-party software, including open-source software;
- intellectual property infringement claims by patent trolls;
- the Group's ability effectively implement its business strategy;
- the Group's ability to manage four different networks (cable, FTTH, as well as mobile and DSL);
- decline in revenue from certain services and the inability of the Group to offset this decline;

- pressure on customer service;
- adverse developments in the Group’s relationships with program providers and broadcasters;
- risks related to services and products provided by third parties;
- risks related to the proper functioning of the Group’s IT infrastructure, including risks related to piracy and hacking;
- the risk that the Group’s reputation and business could be materially harmed as a result of data breaches, unauthorized access or successful hacking or piracy;
- risks related to the Group’s capital expenditures;
- strikes and other labor disruptions;
- the risk that the Group may not be able to protect its image, reputation and brands;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- perceived or actual health risks and other environmental requirements relating to mobile operations;
- employee misconduct and consumer fraud;
- risks associated with the Group’s significant leverage and the restrictions imposed by its debt instruments;
- risks related to the inability to generate sufficient cash flows to service its debt;
- risks related to the fact that a substantial amount of the Group’s indebtedness will mature before the Notes;
- fluctuations in currency exchange rate, inflation and interest rates;
- the impact of restrictive covenants under the Group’s debt instruments on its ability to operate its business;
- risks relating to the ability of the Group to incur significant additional amounts of debt;
- negative changes to the Group’s credit rating;
- the fact that the Group operates in a highly regulated industry, and the risk of unfavorable changes to, or interpretations of, the tax laws and regulations applicable to the Group;
- the complex legal status of the ownership of the Group’s network;
- adverse outcomes in the various legal, administrative and regulatory proceedings, including tax audits and proceedings, in which the Group is a party;
- risks related to the fact that the Group is currently and could in the future be party to or be directly or indirectly involved in litigation, administrative and regulatory proceedings, including tax audits and proceedings, that could have a material adverse effect on its results of operations and financial condition;
- introduction into French law of a class action open to consumer protection associations;
- measures the Group is subject to related to protection of confidentiality and data security;
- the risk that the Group may not be able fully to utilize its deferred tax assets;
- the Group’s dependence on its intellectual property rights, which may not be adequately protected;

- reliance of the Group on licenses and authorizations necessary for performance of its activities;
- the ability of the Group to maintain joint arrangements with other players in the telecommunications field;
- the Group's dependence on its national distribution network;
- possible conflicts of interests of the Group and those of its controlling shareholder; and
- the other factors described in more detail under "*Risk Factors*".

The cable television, broadband internet access, fixed line telephony, mobile services, ISP services, B2B and wholesale industries are changing rapidly and, therefore, the forward looking statements of expectations, plans and intent in these Listing Particulars are subject to a significant degree of risk.

We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of these Listing Particulars.

The Group discloses important factors that could cause the Group's actual results to differ materially from its expectations in these Listing Particulars. These cautionary statements qualify all forward looking statements attributable to Group or persons acting on our behalf. When the Group indicates that an event, condition or circumstance could or would have an adverse effect on the Group, we mean to include effects upon the Group' business, financial and other conditions, results of operations and the Issuer's ability to make payments under the Notes.

This list of factors that may affect future performance and the accuracy of forward looking statements is illustrative, but by no means exhaustive, and should be read in conjunction with other factors that are included in these Listing Particulars. See "*Risk Factors*" along with sections of these Listing Particulars titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*", "*Industry, Competition and Market Overview*" and "*Business of the Group*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which the Group operates. All forward looking statements should be evaluated in light of their inherent uncertainty.

The Group operates in a competitive and rapidly changing environment. New risks, uncertainties and other factors may emerge that may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, you should not place undue reliance on forward looking statements as a prediction of actual results. Except as required by law or the rules and regulations of any stock exchange on which its securities are listed, we expressly disclaim any obligation or undertakings to release publicly any updates or revisions to any forward looking statements contained in these Listing Particulars to reflect any change in its expectations or any change in events, conditions or circumstances on which any forward looking statement contained in these Listing Particulars is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated or the context otherwise requires, references to "IFRS" herein are to International Financial Reporting Standards as adopted by the European Union.

Financial Statements Presented

Historical Financial Information of the Issuer

Altice France S.A. (previously known as SFR Group S.A. and Numericable-SFR S.A.) (the "**Issuer**") was formed on August 2, 2013.

These Listing Particulars include the following historical consolidated financial information of the Issuer:

- the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018 (including restated comparative information as of and for the three month period ended March 31, 2017 and as of December 31, 2017), prepared in accordance with IAS 34 Interim Financial Reporting; and

- An English language translation of the audited consolidated financial statements for the Issuer as of and for the year ended December 31, 2017 (which include comparative figures as of and for the year ended December 31, 2016), December 31, 2016 (which include comparative figures as of and for the year ended December 31, 2015) and December 31, 2015 (which include comparative figures as of and for the year ended December 31, 2014), each prepared in accordance with IFRS as adopted by the European Union and which have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG S.A.

The consolidated financial statements of the Issuer described above, including the accompanying notes thereto, are referred to herein as the "**Historical Consolidated Financial Information**."

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Issuer's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Issuer's financial statements are disclosed in the Historical Consolidated Financial Information.

The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information as of and for the three months ended March 31, 2018 reflects the change in accounting methodology. Comparative figures for the three month period ended March 31, 2017 and as of December 31, 2017 (as applicable) included in the Issuer's unaudited condensed consolidated financial statements as of and for the three month period ended March 31, 2018 were restated from figures presented in the Issuer's previously published unaudited condensed consolidated financial statements as of and for the three month period ended March 31, 2017 and the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2017, respectively, to reflect the impacts of IFRS 15. The Historical Consolidated Financial Information for the other periods presented herein have not been restated for the impacts of IFRS 15; however an adjustment for the impacts of IFRS 15 on Adjusted EBITDA and capital expenditures for the year ended December 31, 2017 have been presented to aid comparability of the LTM Financial Information (as defined below). See "*Summary Financial Information and Other Data—Adjusted EBITDA and Pro Forma Adjusted EBITDA of the Issuer*" and "*Summary Financial Information and Other Data—Capital Expenditures*". We also present an adjustment for the impacts of IFRS 15 on revenue for the year ended December 31, 2017 for the purpose of calculating the Adjusted EBITDA margin after taking into account the impacts of IFRS 15 for such period and for the purpose of presenting revenue for the twelve months ended March 31, 2018 after giving effect to the impacts of IFRS 15. The restatement and adjustments for the impact of IFRS 15 have not been audited. For more information, see Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars.

Non-IFRS Financial Measures

These Listing Particulars contain measures and ratios (the "**Non-IFRS Measures**"), including Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures, that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non-IFRS Measures because we believe that they are of interest to the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-IFRS Measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries', operating results as reported under IFRS or other generally accepted accounting standards. The Non-IFRS Measures may also be defined differently than the corresponding terms governing our indebtedness, including the Indenture, the Existing Notes Indentures (as defined herein), the Existing Revolving Credit Facilities Agreement or the Existing Term Loans Agreement (as defined herein). Non-IFRS Measures and ratios, such as Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures, are not measurements of our, or any of our subsidiaries', performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) or as a measure of our, or any of our operating entities', operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries', ability to meet our cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures have certain limitations as analytical tools, including but not limited to:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future;
- Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we or our operating entities eliminate in calculating Adjusted EBITDA, *Pro Forma* Adjusted EBITDA and Adjusted EBITDA less capital expenditures reflect cash payments that were made, or will in the future be made.

In addition, as a result of certain acquisitions and disposals that have been consummated by the Group during the periods presented in these Listing Particulars, and the intra-year timing of such acquisitions and disposals, the comparability of the Historical Consolidated Financial Information over each of such periods may be limited. *Pro forma* financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Directive, IFRS or any generally accepted accounting standards. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2016 compared to the year ended December 31, 2015—Significant Events Affecting Historical Results*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the three months ended March 31, 2018 compared to the three months ended March 31, 2017—Significant Events Affecting Historical Results*" for more information. Unless otherwise specified, the Historical Consolidated Financial Information does not give *pro forma* effect to the acquisitions and disposals that have been consummated by the Group during the periods presented in these Listing Particulars, or to any acquisitions and disposals occurring after March 31, 2018 (including, for the avoidance of doubt, the acquisition of the FOT Business, Altice Customer Services and Altice Technical Services France), and may therefore differ from the financial information relating to Altice France publicly reported by Altice Europe and its consolidated subsidiaries for the same periods which does give *pro forma* effect to certain of such acquisitions and disposals.

The Historical Financial Information of the Issuer mentioned above does not indicate results that may be expected for any future period.

LTM Financial Information

These Listing Particulars include certain unaudited financial information for the twelve months ended March 31, 2018 (the "**LTM Financial Information**"). This financial information has been calculated by adding the Issuer's historical results for the three months ended March 31, 2018, to the Issuer's historical results for the year ended December 31, 2017, and subtracting the Issuer's historical results for the three months ended March 31, 2017. The Issuer's historical results for the three months ended March 31, 2017 and 2018 have been restated for the impacts of IFRS 15. The financial information for year ended December 31, 2017 has not been restated for the impacts of IFRS 15; however an adjustment for the impacts of IFRS 15 on Adjusted EBITDA and capital expenditures for the year ended December 31, 2017 have been presented to aid comparability of the LTM Financial Information. See "*Summary Financial Information and Other Data—Adjusted EBITDA and Pro Forma Adjusted EBITDA of the Issuer*" and "*Summary Financial Information and Other Data—Capital Expenditures*". We also present an adjustment for the impacts of IFRS 15 on revenue for the year ended December 31, 2017 for the purpose of calculating the Adjusted EBITDA margin after taking into account the impacts of IFRS 15 for such period and for the purpose of presenting revenue for the twelve months ended March 31, 2018 after giving effect to the impacts of IFRS 15.

The LTM Financial Information has been prepared solely for the purposes of these Listing Particulars, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed. It is for illustrative purposes only and is not necessarily representative of the Issuer's results of operations, for any future period or the Issuer's financial condition at any future date.

Certain Adjusted Financial Information

These Listing Particulars also include certain financial information on an as adjusted basis to give effect to the Refinancing Transactions, including the offering and the application of the proceeds therefrom, including financial data as adjusted to reflect the effect of Refinancing Transactions on the Group's indebtedness as if the Refinancing Transactions had occurred on March 31, 2018. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group's indebtedness would have been had the Refinancing Transactions occurred on such dates, nor does it purport to project the Group's indebtedness or cash interest expense at any future date. This as adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Directive, IFRS or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing or review standards.

In making an investment decision, you must rely upon your own examination of the terms of the offering and the financial information contained in these Listing Particulars. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in these Listing Particulars.

Certain amounts and percentages presented herein have been rounded and, accordingly, the sum of amounts presented may not equal the total.

CERTAIN DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in these Listing Particulars refer to the Issuer and its subsidiaries. Definitions of certain terms and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see “*Glossary*” on page G-1 of these Listing Particulars.

“2018 Incremental Term Loan Agreement”

has the meaning ascribed to such term in the section entitled “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*”

“2018 Term Loan”

has the meaning ascribed to such term in the section entitled “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*”

“AENS”

Altice Entertainment News & Sport S.A., a public limited liability company (société anonyme) incorporated under the laws of Luxembourg, and a subsidiary of Altice TV.

“AENS Contract Renegotiation”

has the meaning ascribed to such term in “*Certain Relationships and Related Party Transactions—Transactions with Altice TV*.”

“Altice B2B France”

Altice B2B France S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 499 662 757 RCS Paris.

“Altice Blue Two”

Altice Blue Two S.A.S., a private limited liability company (société par actions simplifiée) organized under the laws of France.

“Altice Customer Services”

Altice Customer Services S.à r.l., a private limited liability company (*société à responsabilité limiteé*) organized under the laws of Luxembourg, which is the sole shareholder of Intelcia Group S.A., a public limited liability company (*société anonyme*) organized under the laws of Morocco, and its subsidiaries.

“Altice Europe”

Altice Europe N.V. (formerly known as Altice N.V. and Altice S.A.), a public company with limited liability (*naamloze vennootschap*) incorporated and existing under the laws of The Netherlands, registered with the Dutch Trade Registry under number 63329743 and having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, and its subsidiaries, unless the context otherwise requires.

“Altice Europe Group”

Altice Europe and its consolidated subsidiaries.

“Altice Group Reorganization”

has the meaning ascribed to such term in “*Summary—Recent Developments—Implementation of separation of Altice Europe and Altice USA.*”

“Altice Lux”

Altice Luxembourg FR S.A. (formerly known as Altice France S.A. and Altice Six S.A.), a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B 135 296, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.

“Altice Lux Bis”

Altice Luxembourg FR Bis S.à r.l. (formerly known as Altice France Bis S.à r.l.), a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under Number B 196.532, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.

“Altice International” Altice International S.à r.l., a private limited liability company (*société à responsabilité limitée*) organized under the laws of Luxembourg, formerly known as Altice VII S.à r.l. and registered with the Luxembourg Trade and Companies Register under Number B 143725, having its registered office at 5, rue Eugène Ruppert, L-2453 Luxembourg.

“Altice Technical Services France” the consolidated French operations of Altice Technical Services S.A. (formerly Parilis S.A.), a public limited liability company (société anonyme) organized under the laws of Luxembourg, and its subsidiaries.

“Altice TV” a subsidiary of Altice Europe formed in connection with the Altice Group Reorganization which, together with its subsidiaries, encompasses Altice Europe’s content distribution division.

“Altice USA” Altice USA, Inc., a public company incorporated under the laws of Delaware and an affiliate of the Altice Europe Group.

“ARCEP” *Autorité de Régulation des Communications Electroniques et des Postes*, the French regulatory authority for electronic and postal communications.

“Clearstream” Clearstream Banking, *société anonyme*.

“Completel” Completel S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 418 299 699 RCS Paris, through which we provide wholesale voice, data and internet-related services to corporate clients, telecommunication operators and public authorities.

“Dollar Notes” the $1,750 million aggregate principal amount of 8.125% senior secured notes due 2027.

“DTC” The Depository Trust Company.

“ERISA” the U.S. Employee Retirement Income Security Act of 1974, as amended.

“EU” the European Union.

“euro”, “EUR” or “€” the euro, the currency of the EU member states participating in the European Monetary Union.

“Euro Notes” the €1,000 million aggregate principal amount of 5.875% senior secured notes due 2027.

“Euro Paying Agent” Deutsche Bank AG, London Branch.

“Euro Registrar” Deutsche Bank Trust Company Americas.

“Euro Transfer Agent” Deutsche Bank AG, London Branch.

“Euroclear” Euroclear Bank S.A./N.V., as operator of the Euroclear system.

“European Economic Area” the trading area established by the European Economic Area Agreement of January 1, 1994, comprising the member states of the EU (currently, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) and Norway, Iceland and Liechtenstein.

“Existing 2022 Dollar Notes” the $4,000,000,000 aggregate principal amount of 6% Senior Secured Notes due 2022, issued by the Issuer on May 8, 2014, which are expected to be redeemed in connection with the Refinancing Transactions as discussed in the section entitled “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*”

“Existing 2022 Euro Notes” the €1,000,000,000 aggregate principal amount of 5$^{3}/_{8}$% Senior Secured Notes due 2022, issued by the Issuer on May 8, 2014, which are expected to be redeemed in connection with the Refinancing Transactions as discussed in the section entitled “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*”

Existing 2022 Notes” collectively, the Existing 2022 Dollar Notes and the Existing 2022 Euro Notes, which are expected to be redeemed in connection with the Refinancing Transactions as discussed in the section entitled “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*”

“Existing 2022 Notes Redemption” has the meaning ascribed to such term in the section entitled “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*” See “*Use of Proceeds*” for further information.

“Existing 2024 Dollar Notes” the $1,375,000,000 aggregate principal amount of 6$^{1}/_{4}$% Senior Secured Notes due 2024, issued by the Issuer on May 8, 2014.

“Existing 2024 Euro Notes” the €1,250,000,000 aggregate principal amount of 5$^{5}/_{8}$% Senior Secured Notes due 2024, issued by the Issuer on May 8, 2014.

“Existing 2024 Notes” collectively, the Existing 2024 Dollar Notes and the Existing 2024 Euro Notes.

“Existing 2026 Notes” the $5,190,000,000 aggregate principal amount of 7$^{3}/_{8}$% Senior Secured Notes due 2026, issued by the Issuer on April 11, 2016.

“Existing Dollar Notes” collectively, the Existing 2022 Dollar Notes, the Existing 2024 Dollar Notes and the Existing 2026 Notes.

“Existing Euro Notes” collectively, the Existing 2022 Euro Notes and the Existing 2024 Euro Notes.

“Existing Indebtedness” the Existing Notes, any borrowings under the Existing Revolving Credit Facilities from time to time and the Existing Term Loans, collectively.

“Existing Notes” the Existing 2022 Notes, the Existing 2024 Notes and the Existing 2026 Notes.

“Existing Notes Indentures”

collectively, the indentures governing the Existing Notes, in each case, as amended, restated, supplemented or otherwise modified from time to time.

“Existing Revolving Credit Facilities Agreement”

the revolving credit facilities agreement, dated on or about May 8, 2014, among, *inter alios*, the Issuer and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.

“Existing Revolving Credit Facilities”

the revolving credit facilities made available under the Existing Revolving Credit Facilities Agreement.

“Existing Term Loans”

the various term loans established under the Existing Term Loans Agreement. See “*Description of Other Indebtedness—Term Loans*” for further information.

“Existing Term Loans Agreement”

the term loan agreement, dated May 8, 2014, among, *inter alios*, the Issuer, Ypso France S.A.S. and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto and Deutsche Bank AG, London Branch as facility agent and security agent, as supplemented by way of the incremental loan assumption agreements dated July 20, 2015 and October 14, 2015, and as amended by the first amendment to term loan credit agreement dated November 10, 2015, the second amendment to term loan credit agreement dated April 7, 2016, the third amendment to term loan credit agreement dated June 21, 2016, the fourth amendment to term loan credit agreement dated November 14, 2016, the fifth amendment to term loan credit agreement dated April 18, 2017 and the sixth amendment to term loan credit agreement dated October 31, 2017, and as further amended, restated, supplemented or otherwise modified from time to time.

“Existing Term Loans Borrowers”

has the meaning ascribed to such term in the section entitled “*Description of Other Indebtedness—Existing Term Loans*.”

“FOT Acquisition”

the intended acquisition of the FOT Business by the Issuer from Altice International expected to be consummated in the third quarter of 2018. See “*Summary—Recent Developments—Acquisition of Altice Europe’s FOT Business*” for more information.

“FOT Business”

Altice Europe’s operations in the French Overseas Territories.

“French Guarantor”

each Guarantor incorporated under the laws of France.

“Guarantees”

has the meaning ascribed to such term in the section entitled “*The Offering—Guarantees*”.

“Guarantors”

has the meaning ascribed to such term in the section entitled “*The Offering—Guarantees*”.

“IFRS”

International Financial Reporting Standards as adopted by the European Union.

“Indenture”

the indenture, entered into on July 31, 2018, governing the Notes, among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent.

“Initial Purchasers”

refers to Goldman Sachs International, BNP Paribas, J.P. Morgan Securities LLC, J.P. Morgan Securities plc, Barclays Bank PLC, Citigroup Global Markets Limited, Crédit Agricole Corporate and

Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, ING Bank N.V., London Branch, Merrill Lynch International, Morgan Stanley & Co. International plc, RBC Europe Limited, RBC Capital Markets, LLC and Société Générale.

“Intercreditor Agreement”

the intercreditor agreement dated on or about May 8, 2014, among, *inter alios*, the Issuer and the security agent party thereto, as amended, restated, supplemented or otherwise modified from time to time.

“Issuer”

Altice France S.A. (formerly known as SFR Group S.A. and Numericable-SFR S.A.), a public limited liability company (*société anonyme*) organized under the laws of France.

“NextRadioTV”

NextRadioTV S.A., with or without its subsidiaries as the content requires.

“Notes”

collectively, the Dollar Notes and the Euro Notes.

“Notes Collateral”

as defined and described under “*Description of Notes—Notes Security*”.

“Notes Collateral Documents”

the security documents under which the security interests over the Notes Collateral has been or will be created.

“Numericable U.S. LLC”

Numericable U.S. LLC, a Delaware limited liability company, having its registered office at 901 N. Market St, Suite 705, Wilmington, County of New Castle, Delaware 19801, United States.

“Numericable U.S. S.A.S.”

Numericable U.S. S.A.S, a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 801 376 161 RCS Paris.

“Offering Memorandum”

the offering memorandum dated July 17, 2018, pursuant to which the Issuer offered the Notes.

“Omer Telecom”

Omer Telecom Limited, a private limited company registered with the Register of Companies in England and Wales under number 05721373.

“Paying Agents”

collectively, the U.S. Paying Agent and the Euro Paying Agent.

“Refinancing Transactions”

as defined and described under “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*”

“Registrars”

collectively, the U.S. Registrar and the Euro Registrar.

“Regulation S”

Regulation S promulgated under the U.S. Securities Act.

“Rule 144A”

Rule 144A promulgated under the U.S. Securities Act.

“Security Agent”

Deutsche Bank AG, London Branch.

“SFR”

Société Française du Radiotéléphone—SFR S.A. a French corporation incorporated as a société anonyme registered under sole identification number 343 059 564 RCS Paris, and, as the context requires, its subsidiaries, which was acquired, indirectly by the Issuer pursuant to the SFR Acquisition, and the results of which were consolidated in the results of the Issuer from November 27, 2014.

“SFR Acquisition” the acquisition by the Issuer of SFR and certain of its subsidiaries on November 27, 2014.

“SFR Fibre” SFR Fibre S.A.S. (formerly NC Numericable S.A.S.), a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 400 461 950 RCS Meaux and one of our operating subsidiaries.

“SFR Presse” SFR Presse S.A.S., a private limited liability company (*société par actions simplifiée)* incorporated under the laws of France, formerly known as Altice Media Group France S.A.S.

“SFR TowerCo” has the meaning ascribed to such term in the section entitled “*Summary—Recent Developments—Disposition of Tower Assets.*”

“SIG 50” Société d’Investissement et de Gestion 50—SIG 50 S.A., a French corporation incorporated as a *société anonyme*, registered under the identification number 421 345 026 Paris and its subsidiaries.

“Towers Transaction” has the meaning ascribed to such term in the section entitled “*Summary—Recent Developments—Disposition of Tower Assets.*”

“Transfer Agents” collectively, the U.S. Transfer Agent and the Euro Transfer Agent.

“Trustee” Deutsche Bank Trust Company Americas.

“U.S.” or “United States” the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

“U.S. dollars”, “dollars”, “U.S.$” or “$” the lawful currency of the United States.

“U.S. Exchange Act” The U.S. Exchange Act of 1934, as amended.

“U.S. GAAP” generally accepted accounting principles in the United States.

“U.S. Paying Agent” Deutsche Bank Trust Company Americas.

“U.S. Registrar” Deutsche Bank Trust Company Americas.

“U.S. Securities Act” the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“U.S. Transfer Agent” Deutsche Bank Trust Company Americas.

“Virgin Mobile” Omer Telecom Limited, the holding company for the group operating in France under the Virgin Mobile brand, and its subsidiaries acquired by the Issuer pursuant to the Virgin Mobile Acquisition.

“Virgin Mobile Acquisition” the acquisition on December 5, 2014 by the Issuer of Omer Telecom and its subsidiaries, the holding company for the group operating in France under the Virgin Mobile brand.

“Vivendi” Vivendi S.A., a French corporation incorporated as a *société anonyme* registered under sole identification number 343 134 763 RCS Paris.

"Voice Carrier Business" the Group's international wholesale voice carrier business.

"Voice Carrier Business Disposition" the intended disposition of the Voice Carrier Business by the end of 2018 pursuant to an agreement entered into with Tofane Global in the first quarter of 2018. See "*Business of the Group—Material Contracts—Agreement to Sell International Wholesale Voice Carrier Business*" for more information.

"Ypso Finance" Ypso Finance S.à r.l, a private limited liability company (*société à responsabilité limitée*) organized and established under the laws of Luxembourg, having its registered office at 121, rue de la Faiencerie, L-1511 Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B161946.

"Ypso France" Ypso France S.A.S., a French corporation incorporated as a *société par actions simplifiée* registered under sole identification number 484 348 131 RCS Meaux.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. We have provided this exchange rate information solely for your convenience. We do not make any representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate.

The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in these Listing Particulars. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last business day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

	U.S. dollars per €1.00			
	Average[1]	**High**	**Low**	**Period End**
Year				
2013	1.33	1.3804	1.278	1.3743
2014	1.3207	1.3932	1.2098	1.2098
2015	1.1031	1.2103	1.0497	1.0856
2016	1.1066	1.1569	1.0364	1.0541
2017	1.1297	1.2093	1.0492	1.2022
Month				
January 2018	1.2195	1.2539	1.1916	1.2415
February 2018	1.2348	1.2557	1.2187	1.2209
March 2018	1.2336	1.2477	1.2187	1.2327
April 2018	1.2278	1.2415	1.2055	1.2101
May 2018	1.182	1.2103	1.151	1.1671
June 2018	1.1678	1.1853	1.1407	1.1677
July 2018 (through July 4, 2018)	1.1639	1.163	1.1587	1.1667

[1] "Average" means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages.

SUMMARY

The summary below highlights information contained elsewhere in these Listing Particulars. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire Listing Particulars carefully, including the "Risk Factors" and the financial statements and notes thereto included elsewhere in these Listing Particulars. In this section, references to the "Group" are to the Issuer and its subsidiaries as of the date of the Offering Memorandum. Please see page G-1 of these Listing Particulars for a glossary of technical terms used in these Listing Particulars.

The Group

The Group is the second largest telecommunications operator and a leading alternative operator in France by revenues and number of subscribers. The Group has major positions in all segments of the French telecommunications market, including mobile services, mobile equipment, fixed, wholesale and media, and offers a full range of broadband internet, fixed-line and mobile telephony, content and audiovisual services through its leading fiber/cable and mobile networks. As of March 31, 2018, the Group had approximately 14,440,000 mobile B2C subscribers and approximately 6,014,000 total fixed B2C unique customers. The Group generated revenues (including IFRS 15 impact) of €10,736 million and Adjusted EBITDA (including IFRS 15 impact) of €3,749 million for the twelve months ended March 31, 2018. See "*Summary Financial Information and Other Data—Adjusted EBITDA and Pro Forma Adjusted EBITDA of the Group*".

The Group currently offers B2C services under the SFR and Red brands. The Group also offers B2B services under the SFR Business brand. The Group owns and operates an extensive mobile network, achieving a 4G mobile coverage of more than 96% of the population in France as of March 31, 2018. The Group has a state-of-the-art fiber/cable infrastructure, consisting of 80,000 km of fiber optic cable and more than 166 metropolitan loops as of March 31, 2018, passing approximately 11,239,000 fiber/cable homes as of March 31, 2018.

The Group tracks the performance of its business and further analyzes its revenues by segment, which, with effect from January 1, 2018, include "mobile services," "mobile equipment," "fixed," "wholesale" and "media." See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Basis of Presentation—Operational Activities*" for a discussion of the revised presentation of its operational activities.

Mobile

The Group is the second-largest operator of mobile telephony in France by number of subscribers, with approximately 14,440,000 mobile B2C subscribers as of March 31, 2018. According to the French National Frequencies Agency, the Group also had the most 4G antennas in service in France as of March 31, 2018. Due to its strong market position in the mobile telephony segment, the Group is one of the primary convergence operators in France with an attractive "quadruple-play" offer (consisting of pay-TV products, broadband internet, fixed telephony and mobile services).

The Group accelerated the build-out of its 4G network over the last two years and achieved 4G population coverage of 96% in France as of March 31, 2018. The Group aims to expand its 4G network coverage to 99% of the French population by the end of 2018. The Group is already preparing for the introduction of the next generation of mobile telephony with 5G technology. After the first tests carried out in 2016 and 2017, the Group with one of its partners, Nokia, were the first in France to make a 5G New Radio connection using the 3.5 GHz frequency band. In addition, the Group has relationships with the industry's significant mobile equipment providers, and is able to offer customers with top-of-the-market mobile equipment.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's mobile services segment generated €1,020 million and €1,011 million of revenue, respectively, and the Group's mobile equipment segment generated €167 million and €183 million of revenue, respectively.

Fixed

As of March 31, 2018, the Group's fixed B2C subscriber base passed approximately 24,599,000 homes of which approximately 11,239,000 homes are fiber/cable enabled. Over the past four years, the Group increased its fiber/cable deployment and upgraded a substantial part of its fiber/cable networks. For example, as of March 31, 2018, the Group's fiber/cable networks are largely DOCSIS 3.0 enabled, which allows it to offer customers high broadband internet access speeds and better HDTV services across its footprint. We believe the Group is also France's leading fiber/cable provider, with approximately 11,239,000 fiber/cable homes passed as of March 31, 2018, and intends to continue the expansion of its fiber network in France through engagement with local communities and government and capitalize on its past investments in improved fiber/cable infrastructure. The Group is able to upsell its existing DSL subscribers with fiber/cable broadband offers due to the overlapping fiber/cable and DSL networks acquired as a result of the SFR Acquisition and, moreover, the natural churn rate of broadband subscribers draws existing DSL subscribers to the Group's cable and fiber products. This shift of subscribers from DSL has allowed, and is expected to continue to allow, the Group to reallocate investment expenses previously earmarked for DSL infrastructure to accelerating the rollout of its fiber/cable network.

In the B2B service area, the Group benefits from its extensive combined fiber/cable and DSL network and strong customer relationships and has the ability to respond to the growing demand of medium-sized businesses for increasingly sophisticated voice and data services. The Group offers data services, including IP VPN services (virtual private network on IP), LAN to LAN (local network), internet, security services, hosting and "cloud computing" and voice services, in particular voice call services, VoIP and Centrex.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's fixed segment generated €1,028 million and €981 million of revenue, respectively.

Wholesale

The Group is the largest national alternative wholesale services player to the incumbent provider by revenues and number of subscribers. The Group offers a broad portfolio of wholesale products across the entire spectrum of the wholesale market including wholesale connectivity services for fixed-line and mobile voice calls, wholesale connectivity services for data, wholesale fiber infrastructure services as well as triple-play DSL white label packages and very-high-speed offers to a significant base of local, virtual, national and international operators.

On March 12, 2018, Altice Europe and the Group 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. The international wholesale voice carrier business contributed €240 million to revenues of the Group and €10 million to Adjusted EBITDA of the Group in the year ended December 31, 2017, and €40 million to revenues of the Group and €2 million to Adjusted EBITDA of the Group in the three months ended March 31, 2018.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's wholesale segment generated €318 million and €290 million of revenue, respectively.

Media

In furtherance of its convergence strategy, the Group is focused on delivering high quality content offerings to complement its fixed and mobile services, including producing proprietary content. This strategy is evidenced by its investments in French businesses NextRadioTV, through which the Group produces high quality television channels such as BFM TV and RMC Sport Access, and SFR Presse, through which the Group offers various proprietary publications such as *L'Express* and *Libération*.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's media segment (which comprises revenues generated by the proprietary content produced by the Group, as described above) generated €127 million and €111 million of revenue, respectively.

In addition, the Group is focused on supplementing its own content offerings with premium content produced by third parties, including high quality local content and exclusive premium content. For example, Altice Europe has acquired the rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League and English Rugby Premiership, which are commercialised in France via exclusive SFR branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV. Moreover, in May 2017, the Group successfully acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League football fixtures in France. The rights to broadcast the UEFA Champions League cover the period from 2018 to 2021, while the rights to broadcast the English Premier League cover the period from 2017 to 2020. The Group also announced the launch of a single brand this summer for all of its sports content: RMC Sport Access, set to replace SFR Sport channel with the Champion's League launch this summer. At the end of 2016, Altice Europe and the Group also announced strategic agreements with NBCUniversal International and Discovery which confer certain exclusive distribution rights and further expansion of the Group's premium content offerings in France. In April 2017, the Group announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France, which also comprises a print magazine, mobile application and a recipe blog.

The Group intends to continue to selectively invest in local and value-added premium content as well as sports broadcasting and distribution rights in the future to enrich its differentiated and convergent communication services from those of its competitors.

Competitive Strengths

The Group believes it benefits from the following strengths:

Benefit of an owner-operator culture

The Group is part of a founder-controlled organization with an owner-operator culture and strategy that is focused on operational efficiency and innovation. In recent years, its management team has moved quickly to, among other things, streamline business processes, centralize functions and eliminate non-essential overhead expenses, simplify and redesign its product offerings, drive adoption of higher broadband speeds and continue to build out its FTTH and 4G networks across its geographic footprint. The Group continuously strives to improve its operational and financial performance, encouraging communication across the organization while empowering nimble, efficient decision-making that is focused at every level on enhancing the overall customer experience.

Leading alternative operator with strong market positions in all segments of an attractive telecommunications market

France is the third largest telecommunications market in Europe, with consumer spending of approximately €36 billion in 2017 (Source: ARCEP). Despite growth in market size, the French telecommunications market has recently declined in value primarily due to price pressure in the mobile market following the arrival of a fourth player in 2012 and the decline in regulated call termination rates. The Group, however, has a significant market share across all main segments of the French telecommunications market, acting as the main competitor of the incumbent operator. With revenues of €10,736 million (including IFRS 15 impact) for the twelve months ended March 31, 2018, the Group is the largest alternative telecommunications operator in Europe.

Mobile. The Group is the second largest mobile telephony operator in France, with approximately 14,440,000 mobile B2C subscribers as of March 31, 2018. The French B2C mobile market was disrupted by the entry of a fourth mobile operator in January 2012, which increased the overall level of competition in the market and placed significant pressure on ARPUs. After strong price decreases in 2013 and 2014, which resulted in mobile post-paid prices in France being among the lowest in Europe, price pressure eased in 2015 and 2016 but intensified again in 2017. The French B2C mobile market is divided between (i) premium offers targeting subscribers seeking access to subsidized handsets, physical distribution, customer care, data services, value added services and content, (ii) no-frills offers targeting more cost-conscious, SIM-only, self-care subscribers and (iii) a decreasing proportion of prepaid subscribers. The Group targets the premium post-paid subscription market with its "SFR" offers, the basic subscription mobile telephony market with its "RED" offers and the prepaid market with an offer of a prepaid range at attractive prices, under the "*SFR La Carte*" offering. As of March 31, 2018, more than 88% of the Group's subscribers in the B2C mobile telephony market had post-paid subscription offers, compared to more than 85% as of March 31, 2017. In addition, the Group recruited more new mobile postpaid subscribers in the three months ended March 31, 2018 than its industry competitors (Orange, Iliad and Bouygues). The combination of the very-high-speed fiber/cable network of the Group and its 4G networks allows the Group to offer attractive flat rate quadruple-play packages, which meet the growing demand for speed and bandwidth coming from multi-screen households, for usage both in and outside the home.

Fixed. For the year ended December 31, 2017, France still had a relatively low penetration rate in the fast growing very-high-speed segment (which includes fiber/cable), with just 26.2% of total broadband connections being very-high-speed connections of over 30 Mbps and with just 17.3% of very-high speed connection of over 100 Mbps, according to ARCEP. This compares to an average in 2017 of 33% and 15% of consumer internet access in the European Union respectively, over 60% and 40% in Belgium respectively, and over 70% and 30% in the Netherlands respectively, two countries with high fiber/cable penetration rates (Source: ARCEP, European Commission DESI Report 2018). However, the fiber/cable fixed-line market in France has experienced strong growth in recent years due to an increasing household coverage, which has led to a 28% increase in very-high speed subscribers during the last twelve months ended March 31, 2018. The fiber/cable fixed-line market has also experienced intense price pressure over the past three years, as certain of the Group's competitors have depressed prices for their fixed-line offers. The Group estimates that it is the second largest operator in the fiber/cable market, with approximately 2,327,000 fiber/cable unique customers as of March 31, 2018 which together represents approximately 31% of the total very-high speed unique customers as of March 31, 2018. The recent growth has been primarily driven by the increasing penetration of FTTB/FTTH. The Group believes that it is well positioned to benefit from further growth, and in the three months ended March 31, 2018, recruited more new fixed-line subscribers than its industry competitors (Orange, Iliad and Bouygues). The Group takes advantage of its extensive and high-quality fiber/cable network, brand image and distribution capacities, to meet the growing demand for speed and bandwidth, with "multi-play" offers at competitive prices in the fixed-line B2C market.

The French B2B telecommunications market has undergone a structural change in recent years, with traditional switched voice services decreasing and VoIP and data services increasing in number and complexity. In particular, the data service needs of medium-sized businesses have changed and are now more bandwidth-intensive and complex. Subscribers' need for high speeds favors players with strong network coverage, such as the Group, due to its dense capillary network comprised of more than 166 metropolitan loops and its direct fiber/cable connection from its network to the main sites of its subscribers, which provides them with symmetrical high speeds and reliable service. In line with evolving market needs, the Group has also developed leading data solutions, among others "infrastructure as a service" and IP VPN services. The Group is a leading operator in the B2B market next to the incumbent operator. The Group is continuing to take advantage of its commercial network and sales force to increase its market share in this segment and target adjacent market segments such as cloud computing services and machine-to-machine ("**M2M**") communications.

Wholesale. In the wholesale telecommunications market, the Group is able to provide solutions at attractive prices for the short-term needs of operators through its extensive network and can obtain attractive margins by leveraging its cost structure. These solutions include selling fiber connections and circuits to international or local operators with sub-networks in France, leasing indefeasible rights of use ("**IRUs**") and bandwidth capacity on its network and selling point-to-point connections to other national operators including radio transit sites for the roll-out of 3G and 4G. The Group expects growth in these sectors due to increasing worldwide data traffic, the migration of existing technologies towards Ethernet and fiber technologies, increasing demand for greater bandwidth and building of more antennas in connection with the roll-out of 4G coverage by operators. We believe the Group is the leading operator next to the incumbent operator in both mobile and wholesale telephony segments due to its significant wholesale capabilities in the fiber sector. The Group has relationships with incumbent operators of French mobile virtual network operators ("**MVNOs**") and fixed-line voice network operators (such as Bouygues Telecom), as well as with leading international players. The Group also intends to continue to promote its reactive and adapted wholesale offers in order to fully take advantage of its network infrastructure and maximize return on its network assets.

Media. The French television market is one of the largest in Europe. The Group has strategically developed its content capabilities to complement its fixed and mobile services and the Group provides its subscribers with premium, high-quality content, including a large choice of high-definition channels, catch-up TV channels, the largest catalog of VOD content in France (through its "SFR Play" service), integrated OTT video services and innovative social media applications. Moreover, the Group offers subscribers leading 24-hour news through its TV news hub bundle, BFM. The Group believes that its high-quality pay-TV content programming is an important differentiating factor in its offering of bundled and convergent products. See "*—The Group—Media*" above for more information.

Network competitive advantage in each of its markets, combining highly complementary state-of-the-art fixed and mobile networks

The Group believes that it benefits from a fixed network advantage in the French market. Based on the current infrastructure of operators in the telecommunication industry, the Group's network is the only end-to-end alternative central network in France to have a local loop infrastructure and is supplemented by its DSL presence and its interurban fiber/cable network. This highly advanced fiber/cable network provides high download speeds and is supported by a powerful backbone. The Group has the largest fiber/cable network in

France, passing more than approximately 11,239,000 homes via fiber/cable (which provides broadband speeds of 100 Mbps and higher) as of March 31, 2018. The Group has significantly increased its fiber/cable penetration, in particular through cross-selling fiber/cable offers to existing DSL subscribers. The Group will continue to focus on rolling out its fiber/cable network through engagement with local communities and governments.

The Group believes that it has one of the most expansive and advanced mobile networks of the alternative French players. The Group was the first French operator to offer 4G technology to residential and business subscribers and, as of March 31, 2018, the 4G service offered by the Group covered more than 96% of the French population. The Group intends to expand its 4G network coverage to 99% of the French population by the end of 2018. Moreover, according to the French National Frequencies Agency, the Group had the most 4G antennas in service in France as of March 31, 2018. The Group is updating a large number of its antennas by equipping them with single radio access network ("**Single-RAN**") technology (that supports 2G, 3G and 4G standards on one network) and fiber/cable transmission, which the Group believes will reduce maintenance and infrastructure investment costs and ensure the quality of its infrastructure over time. The combination of the Group's extensive, state-of-the-art fixed network and its high-quality 4G mobile network allows it to respond to the rapidly increasing demand for data on mobile phones by providing high bandwidth fiber/cable backhaul connections to connect the mobile Single-RAN.

The Group's high level of prior investment and ownership of its local networks, metropolitan loops and backbone provides it with a cost advantage compared to its alternative operator competitors, who must rely partially on the networks or technology of other operators to provide their services. Between 2015 and 2017, the Group has spent an aggregate amount of €7,050 million in capital expenditures, which includes network-related capital expenditures to improve its 4G network and continued fiber/cable deployment as well as customer related capital expenditures. The Group's high level of network ownership also gives it a greater ability to control costs compared to its alternative operator competitors, determine the most accurate incremental capital expenditures and generate higher margins. The Group believes it will be able to maintain this cost advantage so long as alternative competitors do not undertake significant investment and build their own networks. The Group also intends to capitalize on its passive mobile infrastructure by consummating the Towers Transaction. See "*—Recent Developments—Disposition of Tower Assets*" for more information.

Primary convergence operator and leading multi-play provider of fiber/cable services in its markets, with value-added offerings to French subscribers, providing upsell opportunities in fixed-line and mobile services

Building on its technologically advanced network and innovative offerings, the Group has developed leading positions in multi-play offerings by offering differentiated pay television, premium content, very-high-speed broadband internet, fixed line telephony and mobile telephony products as bundles. The Group believes that its strength in pay television, broadband and fixed and mobile telephony businesses, and its ability to complement these services with premium content offerings, provide an opportunity to increase the penetration of its multi-play and premium packages. The strength of the Group's convergent offering is highlighted by lower churn levels of its fiber/cable subscribers than that of its overall customer base.

Very-high-speed broadband. The Group can provide subscribers serviced by its fiber/cable network (approximately 2,327,000 fiber/cable unique customers as of March 31, 2018) with very-high-speed broadband internet, currently with speeds from 100 Mbps up to 1 Gbps. The Group's network has been built and upgraded specifically to address the increasing speed and bandwidth requirements of its subscribers. The Group continues to offer its DSL subscribers the option to subscribe to a fiber/cable offering, which provides an opportunity to significantly grow penetration on the Group's network and to create upselling opportunities. Migrating existing DSL subscribers to the Group's fiber/cable network reduces cost for renting of the last mile and allows the reallocation of funds intended for investment in DSL infrastructure to accelerate the rollout of the Group's fiber/cable network.

Comprehensive premium content. The Group believes that as a result of a series of strategic investments and partnerships it is able to offer its subscribers market-leading content with significant advantages over its competitors. It has direct long-term relationships with major content providers and television channel suppliers. Among the Group's offerings, the"SFR Play" bundle includes an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 programs available, and an extensive catalog of HD and 4K/UHD content. The Group benefits from Altice Europe's 20 years of experience in sourcing media content and from Altice Europe's international footprint, its ability to enter agreements with the largest French and international production companies (including NBCUniversal and Discovery) and the Group's acquisitions of

NextRadioTV and SFR Presse, enabling it to expand its catalogue of media partners and premium content offerings. For example, Altice Europe has acquired the rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League and English Rugby Premiership, which are commercialised in France via exclusive SFR branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV. Moreover, in May 2017, the Group successfully acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League football fixtures in France. The rights to broadcast the UEFA Champion League cover the period from 2018 to 2021, while the rights to broadcast the English Premier League cover the period from 2017 to 2020.

Advanced mobile services. The Group provides its subscribers with access to one of the most advanced 4G mobile offers in the market, offering high speeds and latency benefits. The combination of the Group's extensive fixed network and high-quality 4G mobile network allows it to capture the rapidly increasing demand for data on mobile phones driven by the digitization of everyday life, and in turn to upsell premium data and content services to new and existing mobile customers. The Group has also revamped and simplified its mobile customer offering: the "SFR" offerings target subscribers that require more premium products, handset subsidies, physical distribution, services and customer support, while the "RED" offerings target the more cost-conscious, SIM-only and mainly self-care subscribers. The strength of our "RED" offering, in particular, is evidenced by the decrease in our "RED" subscriber churn rate (approximately 10%) for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

Benefit of a strong brand and extensive retail distribution network

The Group believes that its strong SFR brand and its retail distribution network will enable it to leverage its extensive fixed and mobile infrastructure and best-in-class product offering to drive growth.

Strong brand image. The Group continues to invest in strengthening the SFR brand by focussing on network reliability and high-quality customer care. For example, in the first quarter of 2018, the Group observed positive improvements in its technical service operations and infrastructure reliability, including a decrease in the average number of days to complete an installation and an increase in its installation completion rate and rate of automatic detection of incidents, resulting in a decrease in the rate of repeat customer calls and fiber technical service calls. Although we experienced higher fiber/cable churn rates in 2017 compared to 2016, we believe these improvements, amongst other factors, are beginning to make an impact and helped decrease the Group's fiber/cable churn rate by approximately 27% for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

Multi-channel distribution network. The Group also benefits from a strong distribution network, including physical and digital channels. Its physical distribution channels include an extensive store network that included approximately 331 physical stores (through distribution contracts) as of March 31, 2018. The Group believes that its stores offer a compelling in-store customer experience by providing pre-purchase advice on devices and services, subscriptions and customer support, including after-sales service and claims. The Group's online platform complements its physical stores through value-added services, including technical support and news, and through the online store, which showcases the Group's product offerings and serves as the main distribution channel for the "RED" offers. The Group's multi-channel network is supported by its customer service and support teams, which offer a comprehensive range of services covering subscribers' needs such as claim management, technical support, loyalty programs and sales.

Cash flow generation

The Group generated Adjusted EBITDA (including IFRS 15 impact) of €3,749 million and incurred capital expenditures (including IFRS 15 impact) of €2,466 million for the twelve months ended March 31, 2018, as compared to Adjusted EBITDA (including IFRS 15 impact) of €3,636 million and capital expenditures (including IFRS 15 impact) of €2,386 million for the year ended December 31, 2017. See "*Summary Financial Information and Other Data—Capital Expenditures*". The Group believes that its large and diversified customer base and predominantly monthly subscription structure provide a certain level of predictability as to future cash flows. The Group believes that its ability to generate cash is a direct result of its rigorous focus on cost optimization and organizational efficiency as well as a prudent capital expenditure policy.

Proven track record of unlocking value through operational excellence

The Group believes that its entrepreneurial culture and efficient decision making processes allow it to quickly react to changes in its operating environments and to seize business opportunities as they arise. The Group believes that a key driver of its success has been its ability to timely implement best operational practices that drive the previously identified improvements in the profitability of its businesses. In its businesses, the Group has successfully simplified organizational structures, reduced management layers, streamlined decision-making processes, optimized costs and redeployed resources with a focus on network investment, customer service enhancements and marketing support. The Group expects to continue to focus on achieving operational synergies, including through the integration of its customer and technical services businesses, Altice Customer Services and Altice Technical Services France.

Experienced management and supportive shareholder, with proven integration and synergy delivery track record

Experienced management with proven integration track record. The Group's management has extensive experience in the cable and telecommunications industry and in the French market in particular. The Group was created as the successful combination of multiple cable, mobile and media assets in France, which the Group's existing management and shareholder Altice Europe has successfully consolidated into a fully integrated and profitable company. The senior management team includes Alain Weill, CEO of Altice Europe and the Group's Chairman and CEO, Dennis Okhuijsen, CFO of Altice Europe, Armando Pereira, COO of Altice Europe and COO of the Group, and François Vauthier, CFO of the Group and previously Chief Controlling Officer of Altice Europe. For more information regarding the management of the Group, see "*Management of the Group*" elsewhere in these Listing Particulars.

Altice Europe cross-deploys talent and expertise across its businesses, allowing the Group to benefit from Altice Europe's senior management's experience around the world. The Group believes this diversity of experience differentiates it from its more traditional and localized industry peers.

Strong shareholder support. Altice Europe, the Issuer's sole shareholder, has a long-standing track record of investing in telecommunications companies in multiple jurisdictions. Altice Europe also has a proven track record of making attractive acquisitions and of unlocking value through operational excellence. Various acquisitions made by Altice Europe, for example in Portugal and Israel, highlight its ability to execute integration and fixed-mobile convergence strategies. Altice Europe is supported by an entrepreneurial shareholder, Patrick Drahi, founder of Altice Europe, with over 20 years of experience owning and managing cable and telecommunications companies globally. Mr. Drahi is the President of Altice Europe's board.

Strategy

The Group intends to leverage and continue to modernize its superior network in order to compete in all market segments to address the growing needs for high bandwidth, rapid and reliable network access driven by the digitization of everyday life and business. The Group intends to continue to offer innovative and differentiated products, services and content in order to generate growth and improve user experience.

Invest in fixed and mobile infrastructure to maintain its competitive advantage in the market and provide the best user experience for French subscribers

The Group aims to remain a technology leader in France by providing innovative, best-in-class services to its subscribers. The Group believes that its fiber-optic network is the most advanced end-to-end fiber-based fixed network in France, capable of delivering an enhanced user experience to French subscribers and taking advantage of the expected growth in bandwidth demands, while optimizing the Group's cost structure. As of March 31, 2018, the Group's fiber/cable network passed approximately 11,239,000 homes in France. In addition, the Group aims to leverage its mobile network to offer subscribers the most compelling quadruple-play offers in the market, in particular, through its state-of-the-art 4G network. The Group accelerated the build-out of its 4G network over the last two years and achieved 4G population coverage of 96% in France as of March 31, 2018. The Group aims to expand its 4G network coverage to 99% of the French population by the end of 2018. The Group has already invested significantly in its network, having incurred significant capital expenditure (between 22-23% of total consolidated revenues) over the last two fiscal years in order to improve to improve its mobile network and roll out new fiber/cable homes. This accelerated pace of capital expenditure deployment continued in the three months ended March 31, 2018.

Provide a compelling value proposition to B2C subscribers in triple- and quadruple-play

Provide high speed broadband, high quality content and superior mobile services to existing and new B2C subscribers. The Group believes that its network leadership, operational excellence and multi-play strategy are key factors to success in France. The Group's strategy is to continue to increase its multi-play customer penetration. The Group aims to offer existing and new B2C subscribers the best bundled triple- and quadruple-play packages in the French market by accelerating investment in both fiber/cable and 4G infrastructure and leveraging its differentiated product offerings, access to premium content, the Group's large customer base and premium brand. The Group's significant investments in French media businesses, such as NextRadioTV and SFR Presse, evidence its strategy to provide premium content across all platforms to complement its fixed and mobile services and thereby drive bundling and convergence to its multi-play offerings. The Group believes that its subscribers are increasingly demanding bundled products and expects to benefit from typically higher ARPU on a single customer basis and lower churn rate characteristic of quadruple-play subscribers. As of March 31, 2018, the Group had approximately 6,014,000 total fixed B2C unique customers and approximately 14,440,000 total mobile B2C subscribers.

Leverage SFR's large customer base to up- and cross-sell its fiber/cable and premium content products as well as gain market share from new customers. The Group's primary focus is to convert a part of SFR's existing fixed customer base to up- and cross-sell offerings including fiber/cable and premium content. The Group believes that its competitive and differentiated product offering will act as natural drivers of up- and cross-selling. For example, the Group expects the continued roll-out of its innovative "LaBox" set-top box to increase ARPU by attracting new premium package customers and prompting existing fixed customers to upgrade to the Group's fiber/cable and premium packages which offer LaBox as standard. In addition, the Group intends to leverage its leading product offerings, brand image and store network to increase its market share by capturing new subscribers that are in need of higher speeds and bandwidth.

Invest in premium content to enrich the Group's communications service offerings and differentiate its offerings in the market place

The Group's notable investments in French media businesses in 2016 and 2017, including the acquisition of NextRadioTV and SFR Presse, have strengthened the Group's position as a true content publisher. The Group has also made substantial investments in high quality content, including recent investments in premium sports content. The Group plans to continue to selectively invest in premium content and accelerate the development of multimedia projects in France as part of its long-term strategy of converging its telecommunication assets with media channels, distribution, content development and production to offer greater value and differentiated products and services to its customers. See "*—The Group—Media*" above for more information.

Adapted strategy and value proposition in mobile

Faced with recent challenges in the mobile market, the Group has simplified its business model and customer offering.

Revamp and simplify customer offerings. The Group has simplified its mobile customer offerings and tailored its new plans to satisfy subscribers' evolving needs. The number of plans offered has been significantly reduced in both B2C and B2B markets. In parallel, the Group has rationalized its store network to focus on the most optimal locations.

Adapt brand positioning to cover all customer segments. The Group has expanded its offering to all segments of the French mobile market, with its "SFR" banner covering the premium segment of the post-paid market and its "RED" banner targeting the growing no-frills market. In addition, the Group has recently launched a new brand strategy with the slogan "Enjoy," intended to highlight its convergent offers and its leading mobile and fixed network.

Develop innovative services. The Group is also investing in opportunities to grow revenue from mobile subscribers, including through the development of additional innovative services such as content and payment functions.

Simplify and streamline our telecoms and content offerings

In March 2018, we redesigned our offers, stripping out premium content, and making the telecom offers more simple and comparable to competitors. These offers are now built around two separate blocks: one centred around telecoms and one centred around premium content (Sport, Cinema/Series, etc.); these are offered as pay options, at a rate still preferential for Group customers, for fixed and mobile offers. This strategy is starting to pay off as there is a significant uplift on gross adds ARPU for customers taking content options and this trend is anticipated to strengthen as further key content is added with the Champion's League from the third fiscal quarter of 2018.

Exploit new growth opportunities in the B2B and wholesale markets

Shift to Next Generation Services. The Group serves the B2B market's growing demand for next generation services, including remote voice protocol services, hosting and cloud services, which all require high bandwidth and offer higher margins. The Group's fiber/cable network is both powerful and flexible, has the high capacity bandwidth necessary to offer these next generation services and is also fully adaptable to future services that may require even greater bandwidth capacity and reliability. The Group also benefits from a full range of services deployed to meet the evolving needs of B2B subscribers and has approximately 11 national data centres in France. The Group intends to capitalize on the combination of its powerful network and expertise in critical network architecture to grow its customer base and increase its offering of higher margin next generation and data products.

Redeploy B2B sales force efficiently. The Group is a strong challenger to the incumbent in the B2B market. In recent years, the Group has been able to strategically redeploy its sales force to fully address and compete effectively against the incumbent in all B2B market sub-segments. The Group intends to continue to increase its market share in this segment and address adjacent market segments including cloud services and M2M communications.

Grow operating margins and cash flow by leveraging operational expertise

The Group has streamlined processes and service offerings and improved productivity by centralizing its business functions, reorganizing its procurement processes, eliminating duplicative management functions and overhead, terminating lower-return projects and non-essential consulting and third-party service arrangements, optimizing its workforce and investing in its employee relations and its culture.

The Group aims to continue to focus on achieving operational efficiencies by (i) investing in the Group's fiber/cable network, migrating existing DSL subscribers to the Group's own network and reducing the need for third party network services, (ii) integrating its newly-acquired customer and technical services businesses, Altice Customer Services and Altice Technical Services France, (iii) optimizing the Group's sales channels and simplifying the Group's brand portfolio, (iv) implementing further procurement efficiencies by leveraging the Group's bargaining power and (v) further reducing overhead costs. The Group aims to achieve such operational efficiencies and successfully integrate its businesses through its experienced management team which has a proven track record of delivering such improvements.

Recent Developments

Disposition of Tower Assets

On June 20, 2018, the Issuer entered into an exclusivity and put option agreement with Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR ("**Tower Purchaser**") for the sale of 49.99% of the shares in a newly incorporated tower company ("**SFR TowerCo**") that will comprise 10,198 sites currently operated by the Group (the "**Towers Transaction**"). The envisaged transaction values SFR TowerCo at an enterprise value of €3.6 billion. In addition, a build-to-suit agreement for 1,200 new sites between the Group and SFR TowerCo is expected to generate approximately €250 million in additional proceeds to the Group within the next four years.

In connection with this transaction, the Issuer and the Tower Purchaser will enter into a shareholders agreement relating to the management of SFR TowerCo and certain other matters, which will, inter alia, provide the Tower Purchaser with consent rights intended to protect its financial interest over specified matters relating to the operation and financing of SFR TowerCo. In addition, SFR TowerCo and the Group will enter into a 20-year master services agreement for the hosting, site development and ancillary services to be provided by SFR TowerCo to the Group as tenant.

The Issuer will fully consolidate SFR TowerCo. The closing of the Towers Transaction will be subject to customary conditions precedent, including that at least 90% of the sites have been contributed to SFR TowerCo, as well as regulatory approvals and is expected to occur in the financial quarter ending December 31, 2018.

Exclusive control over NextRadioTV S.A.

The convergence between the Group's telecoms and media offerings was initiated in 2015 with Altice Europe's acquisition of a 49% stake in NextRadioTV S.A. ("*NextRadioTV*") (which was subsequently acquired by the Group in 2016). In furtherance of this convergence strategy, the Group has taken the following steps to take exclusive control of NextRadioTV through the joint venture Group News Participations ("*GNP*").

On April 5, 2018, the Issuer acquired the minority stake held by News Participations S.A.S. ("**News Participations**") in Altice Content Luxembourg S.A. ("**Altice Content Luxembourg**") for the amount of €100 million by exercising the call option it held on News Participation's 25% stake in Altice Content Luxembourg, following which Altice Content Luxembourg has become a wholly-owned subsidiary of the Issuer. Altice Content Luxembourg is an indirect parent of NextRadioTV and the direct parent GNP.

On January 30, 2017, the Group announced that it intended to take over exclusive control of NextRadioTV and, to that effect, had filed the necessary application with the Conseil Supérieur de l'Audiovisuel ("*CSA*") and the French Competition Authority in order to obtain their clearance of the proposed transaction. On June 13, 2017, the French Competition Authority granted its clearance and authorized the transaction.

On April 20, 2018, the CSA granted its clearance and authorized the transaction. On May 31, 2018, the Group consummated the acquisition of the remaining 51% stake in NextRadioTV.

Closing of the previously announced acquisitions of Altice Customer Services and Altice Technical Services France

On May 16, 2018 the Group successfully closed the previously announced acquisitions of Altice Customer Services and Altice Technical Services France.

The Issuer acquired a 65% stake in the capital of Altice Customer Services from Altice International for a total consideration of €64 million, of which €30 million served as consideration for the shares of the company and €34 million served as consideration for financial assets held by Altice International against Altice Customer Services. The seller has agreed to issue a vendor note with a maturity under one year to the Issuer for the total amount of the consideration transferred.

The Issuer also acquired a 100% stake in Altice Technical Services France from Altice International for a total consideration of €175 million. The seller has agreed to issue a vendor note with a maturity under one year to the Issuer for the total amount of the consideration transferred.

Acquisition of Altice Europe's FOT Business

In connection with the Altice Group Reorganization, the Group intends to acquire Altice Blue Two, the holding company for Altice International's operations in the French Overseas Territories (the "*FOT Business*"). The acquisition is expected to be consummated in the third quarter of 2018 and the total consideration is expected to amount to approximately €470 million of which approximately €300 million is expected to be funded by drawing under the Existing Revolving Credit Facilities and the remaining amount will be represented by a vendor note with a maturity under one year issued by the seller. The FOT Business generated €190 million in revenue and €77 million in Adjusted EBITDA for the year ended December 31, 2017, and €48 million in revenue and €20 million in Adjusted EBITDA for the three months ended March 31, 2018.

Disposal of i24NEWS to Altice USA

On April 23, 2018, the Group completed the sale of i24NEWS, an Israeli international 24-hour news and current affairs television channel, to Altice USA for a total consideration of $2.5 million.

Implementation of separation of Altice Europe and Altice USA

On January 8, 2018, Altice Europe announced the separation of Altice USA from Altice Europe. The separation was effected by a spin-off of Altice Europe's 67.2% interest in Altice USA through a distribution in kind to Altice Europe shareholders (the "**Spin-Off**"). Altice Europe announced completion of the Spin-Off on June 8, 2018. Following the Spin-Off, Altice N.V. changed its name to Altice Europe N.V. The Altice Europe Group will reorganize its structure comprising the Group (including SFR, Altice Technical Services France, Altice Customer Services and, following consummation of the FOT Acquisition, the FOT Business), Altice International and its consolidated subsidiaries and Altice TV and its consolidated subsidiaries (including AENS) (the "**Altice Group Reorganization**"). In connection with the Altice Group Reorganization, Altice Europe also announced its new management team composition comprising Patrick Drahi as President of the Board, Alain Weill as CEO, Dennis Okhuijsen as CFO and Armando Pereira as COO. See "*Management.*"

The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities

Issuance of the Notes

The proceeds of the offering of Notes were used to fund in part the Existing 2022 Notes Redemption (as defined below), and to pay fees, costs and expenses associated with the Refinancing Transactions (as defined below). See "*Use of Proceeds*."

2018 Term Loan

Following the date of the Offering Memorandum, certain of the Existing Term Loans Borrowers entered into an incremental term loan agreement between, *inter alios*, the various lenders party thereto and J.P. Morgan Europe Limited and JPMorgan Chase Bank N.A. as administrative agents (the "**2018 Incremental Term Loan Agreement**") under the Existing Term Loans Agreement. Pursuant to the 2018 Incremental Term Loan Agreement, various lenders lended a new U.S. dollar-denominated tranche of term loans in an aggregate principal amount of $2,500 (€2,028 equivalent) million (the "**2018 Term Loan**").

The 2018 Term Loan will mature in 2026.

Redemption of the Existing 2022 Notes

The net proceeds from the 2018 Term Loan, together with the net proceeds from the offering of the Notes, have been used to redeem (i) €1,000 million in aggregate principal amount of outstanding Existing 2022 Euro Notes at a redemption price equal to 102.688% of such principal amount, and (ii) $4,000 (€3,245 equivalent) million in aggregate principal amount of outstanding Existing 2022 Dollar Notes at a redemption price equal to 103.000% of such principal amount, in each case, together with any accrued and unpaid interest to, but not including, the redemption date, in accordance with the indenture governing the Existing 2022 Notes (the "**Existing 2022 Notes Redemption**"). See "*Use of Proceeds*".

The issuance of the Notes, the borrowings under the 2018 Term Loan, the Existing 2022 Notes Redemption and the payment of fees and expenses in connection with such transactions are collectively referred to herein as the "**Refinancing Transactions.**"

Certain Amendments to the Existing Revolving Credit Facilities

On July 5, 2018 the Issuer issued an amendment and consent request letter seeking the consent of the lenders under the Existing Revolving Facilities to extend the maturity of the revolving loans and/or commitments under the Existing Revolving Credit Facilities (the "**RCF Extension Amendment**") to the date falling five years after the effective date of the RCF Extension Amendment and to amend certain other terms of the Existing Revolving Credit Facilities (the "**Other RCF Amendments**", and together with the RCF Extension Amendment, the "**RCF Amendments**"). The RCF Extension Amendment and the extension of the maturity date requires the consent of lenders holding 66⅔% of the aggregate principal amount of revolving loans and/or commitments under the Existing Revolving Credit Facilities and will become effective upon receipt of such consent, but will not apply to the revolving loans and/or commitments of revolving lenders under the Existing Revolving Credit Facilities that do not consent to the amendment. The Other RCF Amendments require the consent of lenders holding 66⅔% of the aggregate principal amount of revolving loans and/or commitments under the Existing Revolving Credit Facilities and will become effective upon receipt of such consent. Affiliates of certain Initial

Purchasers that are agents and/or revolving lenders under the Existing Revolving Credit Facilities have provided an undertaking to provide their consent to the RCF Amendments.

The Issuer

The Issuer is a French public limited liability company incorporated as a société anonyme, having its registered office at 16, rue du Général Alain de Boissieu, 75015 Paris, France, registered under sole identification number 794 661 470 RCS Paris. The Issuer changed its corporate name from SFR Group S.A. to Altice France S.A. on February 9, 2018.

Principal Shareholders

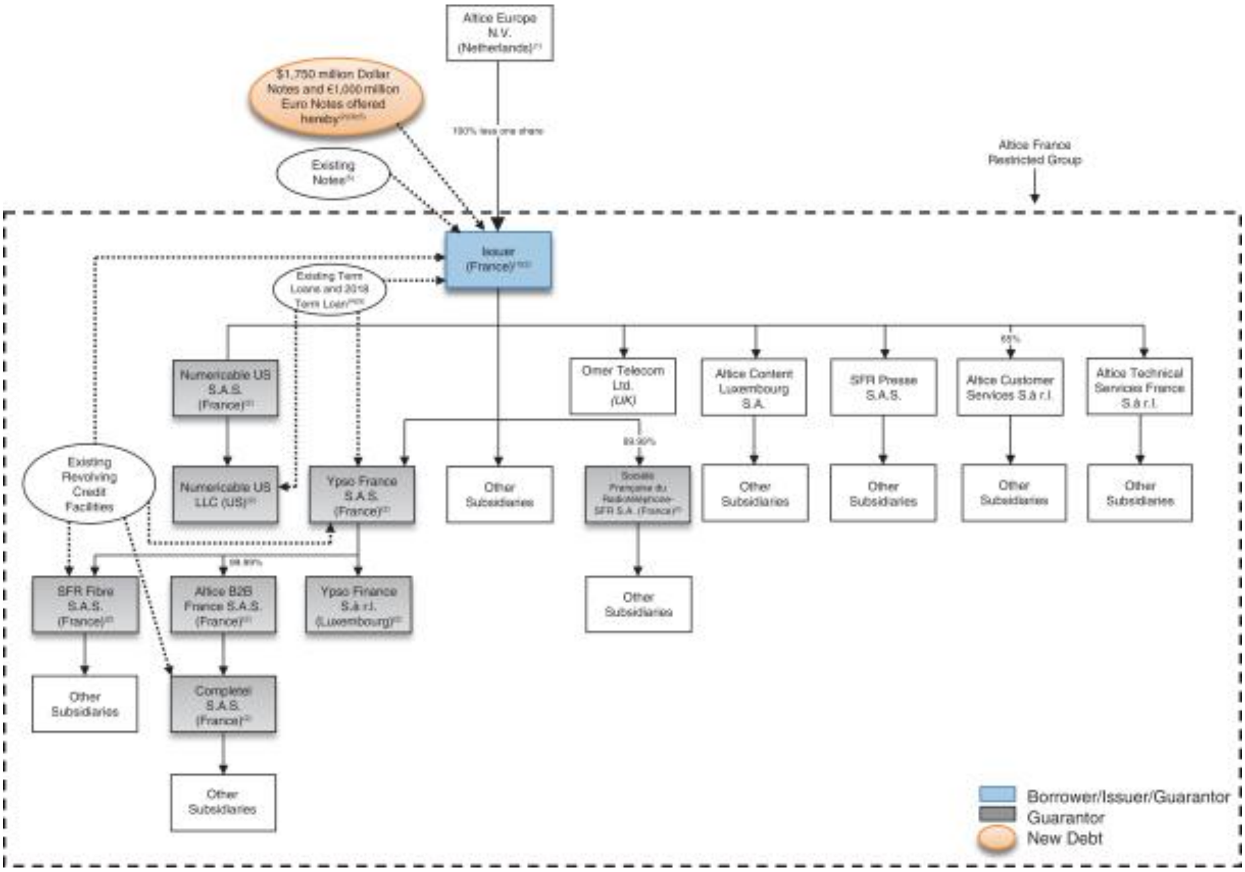
As of the date of the Offering Memorandum, Altice Europe, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands, registered with the Dutch Trade Registry under number 63329743, having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, owns, through its indirect wholly-owned subsidiaries Altice Luxembourg FR S.A. (formerly Altice France S.A.) and Altice Luxembourg FR Bis S.à r.l. (formerly Altice France Bis S.à r.l.), 100% of the Issuer's share capital and 100% of voting rights in the Issuer.

Founded by telecommunications entrepreneur Patrick Drahi, Altice Europe is a convergent leader in telecoms, content, media, entertainment and advertising. Altice Europe delivers innovative, customer-centric products and solutions that connect its over 30 million customers over fiber networks and mobile broadband. Altice Europe is also a provider of enterprise digital solutions to millions of business customers. The company innovates with technology, research and development and provides original content, high-quality and compelling TV shows, and international, national and local news channels. Altice Europe delivers live broadcast premium sports events and enables its customers to enjoy the most well-known media and entertainment.

Altice Europe completed an initial public offering of ordinary shares on February 6, 2014, following which its shares are listed on Euronext Amsterdam.

CORPORATE AND FINANCING STRUCTURE

The chart below is a summary of the Group’s corporate and financing structure after giving effect to the Refinancing Transactions. For further information, please see “*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*”, “*Use of Proceeds*”, “*Capitalization*” and “*Principal Shareholders*”. For a summary of the material financing arrangements identified in this diagram, please see “*Description of Other Indebtedness*” and “*Description of Notes*”.


Altice Europe N.V. (Netherlands)
$1,750 million Dollar Notes and €1,000 million Euro Notes offered hereby
100% less one share
Altice France Restricted Group
Existing Notes
Issuer (France)
Existing Term Loans and 2018 Term Loan
Numericable US S.A.S. (France)
Omer Telecom Ltd. (UK)
Altice Content Luxembourg S.A.
SFR Presse S.A.S.
65%
Altice Customer Services S.à r.l.
Altice Technical Services France S.à r.l.
Existing Revolving Credit Facilities
Numericable US LLC (US)
Ypso France S.A.S. (France)
Other Subsidiaries
99.99%
Société Française du Radiotéléphone-SFR S.A. (France)
Other Subsidiaries
Other Subsidiaries
Other Subsidiaries
Other Subsidiaries
99.99%
SFR Fibre S.A.S. (France)
Altice B2B France S.A.S. (France)
Ypso Finance S.à r.l. (Luxembourg)
Other Subsidiaries
Other Subsidiaries
Completel S.A.S. (France)
Other Subsidiaries
Borrower/Issuer/Guarantor
Guarantor
New Debt

(1) As of the date of the Offering Memorandum, Altice Europe owns, through its indirect wholly owned subsidiaries, 100.0% of the Issuer’s share capital and 100.0% of the voting rights in the Issuer.

(2) The Notes are senior secured obligations of the Issuer. The Notes are guaranteed (the “**Guarantees**”) on a senior basis by each of SFR (excluding its subsidiaries), Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S. and Numericable U.S. LLC (the “Guarantors”).

For the year ended December 31, 2017, the Issuer and the Guarantors represented 88% of the Issuer’s consolidated revenues and 75% of the Issuer’s consolidated Adjusted EBITDA. As of March 31, 2018 and December 31, 2017, the Issuer and the Guarantors represented 97% and 96%, respectively of the Issuer’s consolidated total assets. The maximum liability of any Guarantor incorporated in France or in Luxembourg in respect of the Notes may be limited pursuant to French and Luxembourg law, respectively. See “*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*”.

(3) The Notes and the Guarantees thereof are secured by: (a) senior pledges over all of the capital stock of the Guarantors and certain intercompany loans; (b) senior pledges over the business (*fonds de commerce*) of SFR Fibre S.A.S. and SFR; (c) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Guarantors; and (d) senior pledges over certain bank accounts of, and intercompany receivables owed to, the Issuer (collectively, the “**Notes Collateral**”). None of the network assets of the Group are pledged as security for the Notes.

The Notes Collateral also secures, or will secure, indebtedness (either directly or indirectly by virtue of the Intercreditor Agreement) under the Existing Revolving Credit Facilities, the Existing Term Loans, the Existing Notes, and certain hedging agreements. The security interests over the Notes Collateral granted by a Guarantor are subject to the same limitations applicable to the Guarantee of such Guarantor. In addition, the security interests over the Notes Collateral are, in some cases, first-ranking and, in other cases, further ranking. Pursuant to the terms of the Intercreditor Agreement, the holders of the Existing Notes, the lenders under the Existing Revolving Credit Facilities and the Existing Term Loans and counterparties to certain hedging obligations secured on the Notes Collateral share in recoveries from the enforcement of the security interests over the Notes Collateral on a *pari passu* basis (whether or not such indebtedness is directly secured by all or any of the Notes Collateral).

(4) Following the date of the Offering Memorandum, the Issuer entered into the 2018 Incremental Term Loan Agreement and borrowed the 2018 Term Loan from certain lenders party thereto.See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*" for more information.

(5) We used the net proceeds of this offering of the Notes, together with the net proceeds from the extension of the 2018 Term Loan, to fund the Existing 2022 Notes Redemption. The Existing 2022 Notes were redeemed in full in connection with the Refinancing Transactions. See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*" and "*Use of Proceeds*" for more information.

THE OFFERING

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "*Description of Notes*" section of these Listing Particulars contain more detailed descriptions of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer Altice France S.A.

Notes Offered $1,750 million aggregate principal amount of its 8.125% senior secured notes due 2027 (the "**Dollar Notes**");

€1,000 million aggregate principal amount of its 5.875% senior secured notes due 2027 (the "**Euro Notes**", together with the Dollar Notes, the "**Notes**").

Maturity Date February 1, 2027.

Interest Rate

Dollar Notes 8.125%.

Euro Notes 5.875%.

Interest Payment Dates Interest is payable on the Notes semi-annually in arrears on each of August 1 and February 1, commencing on February 1, 2019. Interest on the Notes accrues from the Issue Date.

Denominations The Dollar Notes are in denominations of $200,000 and any integral multiples of $1,000 above $200,000. Dollar Notes in denominations of less than $200,000 are not available. The Euro Notes are in denominations of €100,000 and any integral multiples of €1,000 in excess of €100,000. Euro Notes in denominations of less than €100,000 are not available.

Issue Price

Dollar Notes 100.000% plus accrued interest, if any, from the Issue Date.

Euro Notes 100.000% plus accrued interest, if any, from the Issue Date.

Ranking of the Notes The Notes

- are senior secured obligations of the Issuer;
- are secured as set forth under "—*Security*";
- are *pari passu* in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including indebtedness under the Existing Notes, the Existing Term Loans, the Existing Revolving Credit Facilities and certain hedging obligations;
- rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- are effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure

the Notes, to the extent of the value of the property and assets securing such indebtedness; and

- are structurally subordinated to the indebtedness and the other obligations of subsidiaries of the Issuer that do not guarantee the Notes.

Guarantees

The Notes are guaranteed on a senior secured basis (the "**Guarantees**") by SFR (excluding its subsidiaries), Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S. and Numericable U.S. LLC (collectively, the "Guarantors"). As a general matter, the aggregate value of the Guarantee of any French Guarantor in respect of the Notes is limited to the amount of the proceeds of the offering of the Notes received, directly or indirectly, by such French Guarantor or any of its subsidiaries and outstanding at the time its Guarantee is called.

Ranking of the Guarantees

The Guarantee of each Guarantor:

- is a senior secured obligation of such Guarantor;
- ranks *pari passu* in right of payment with any existing or future indebtedness of the relevant Guarantor that is not subordinated in right of payment to such Guarantor's Guarantee;
- ranks senior in right of payment to any existing or future indebtedness of such Guarantor that is expressly subordinated in right of payment to such Guarantor's Guarantee;
- is effectively subordinated to any existing or future indebtedness of such Guarantor that is secured by liens on property or assets that do not secure such Guarantor's Guarantee, to the extent of the value of the property and assets securing such indebtedness;
- is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Guarantor that does not guarantee the Notes; and
- is subject to guarantee limitations as specified in "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

The Guarantees are subject to the terms of the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*".

Security

The Notes and the Guarantees thereof are secured either directly or through the Intercreditor Agreement, by:

- senior pledges over all of the capital stock of the Guarantors and certain intercompany loans;
- senior pledges over the business (*fonds de commerce*) of SFR Fibre and SFR;
- senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Guarantors; and

- senior pledges over certain bank accounts of, and intercompany receivables owed to, the Issuer (collectively, the "**Notes Collateral**").

None of the network assets of the Group are pledged as security for the Notes.

In the event the Issuer or the relevant grantor of security is required to enter into Notes Collateral Documents in order to provide security for its obligations under the Notes or the Guarantees, as applicable, as described herein, such Notes Collateral Documents will be entered into within 20 business days after the Issue Date.

The Notes Collateral securing the Notes and the Guarantees also secures, or will secure, indebtedness (either directly or indirectly by virtue of the Intercreditor Agreement) under the Existing Revolving Credit Facilities, the Existing Notes, the Existing Term Loans and certain hedging agreements.

The security interests over the Notes Collateral granted by any Guarantor are subject to the same limitations applicable to the Guarantee of such Guarantor. In addition, the security interests over the Notes Collateral are, in some cases, first-ranking and, in other cases, further ranking. Pursuant to the terms of the Intercreditor Agreement, the holder and/or lenders under the Notes, the Existing Notes, the Existing Revolving Credit Facilities, the Existing Term Loans and certain hedging obligations share in recoveries from the enforcement of the security interests over the Notes Collateral on a *pari passu* basis, subject to the terms of the Intercreditor Agreement (whether or not such indebtedness is directly secured by all or any of the Notes Collateral). See "*Risk Factors—Risks Relating to the Notes and the Structure*".

Optional Redemption

At any time prior to February 1, 2022, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a "make whole" premium plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time prior to February 1, 2022, the Issuer may redeem up to 40% of the Dollar Notes and/or up to 40% of the Euro Notes at a redemption price set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date. At any time on or after February 1, 2022, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date.

Change of Control

Following a change of control triggering event (as defined in the Indenture) at any time, the Issuer will be required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of the purchase. See "*Description of Notes—Change of Control*".

Redemption for Taxation Reasons

If certain changes in the law of any relevant taxing jurisdiction after the issuance of the Notes would impose withholding taxes or other deductions on the payments on any series of the Notes, the Issuer may redeem the applicable series of the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, and additional amounts, if any, to (but excluding) the date of redemption. See "*Description of Notes—Redemption for Changes in Withholding Taxes*".

Additional Amounts

Any payments made with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If withholding or deduction for such taxes is required to be made with respect to a payment under the Notes, subject to certain exceptions, the Issuer will pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding is not less than the amount that they would have received in the absence of the withholding. See "*Description of Notes—Withholding Taxes*".

Certain Covenants

The Issuer has issued the Notes under the Indenture. The Indenture limits the ability of the Issuer and its restricted subsidiaries, as applicable, to:

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;
- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt;
- engage in certain transactions with affiliates;
- enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and
- engage in mergers or consolidations.

These covenants are subject to a number of important exceptions and qualifications. See "*Description of the Notes—Certain Covenants*".

In addition, if for such period of time, if any, that the Notes have received investment grade ratings from both Standard & Poor's Ratings Services ("**S&P**") and Moody's Investors Service, Inc. ("**Moody's**") and no default or event of default exists under the Indenture, the Issuer is not subject to certain of the covenants listed above. See "*Risk Factors—Risks Relating to the Notes—Certain covenants may be suspended upon the occurrence of a change in the Issuer's ratings*" and "*Description of Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*".

Transfer Restrictions

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in the United States in compliance with Rule 144A and outside the United States in reliance on Regulation S or in transactions that are exempt from or are not subject to the registration requirements of the U.S. Securities Act. Please see "*Notice to Investors*" and "*Plan of Distribution*".

Use of Proceeds

See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*", "*Capitalization*" and "*Use of Proceeds*".

No Established Market for the Notes

The Notes are new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Taxation

For a description of certain tax consequences of an investment in the Notes, see "*Certain Tax Considerations*".

Original Issue Discount

One or more series of the Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined *de minimis* amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

Security Agent

Deutsche Bank AG, London Branch.

Trustee

Deutsche Bank Trust Company Americas.

Euro Paying Agent and Euro Transfer Agent

Deutsche Bank AG, London Branch

Euro Registrar

Deutsche Bank Trust Company Americas

U.S. Paying Agent, U.S. Transfer Agent and U.S. Registrar

Deutsche Bank Trust Company Americas

Governing Law

The Notes and the Indenture are governed by the laws of the State of New York. The Notes Collateral Documents are governed by and construed in accordance with the laws of Luxembourg, or France, as applicable. See "*Description of Notes—Notes Security*".

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in these Listing Particulars and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section in these Listing Particulars before making a decision whether to invest in the Notes.

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth summary financial information and other data. The consolidated statement of income, consolidated statement of financial position and consolidated statement of cash flow presented forth below are derived from the Group's (i) unaudited condensed consolidated financial statements as of and for the three month period ended March 31, 2018 (including restated comparative information as of and for the three month period ended March 31, 2017 and as of December 31, 2017), prepared in accordance with IAS 34 Interim Financial Reporting; and (ii) audited consolidated financial statements as of and for the year ended December 31, 2017 (which include comparative figures as of and for the year ended December 31, 2016, as described below) and December 31, 2016 (which include comparative figures as of and for the year ended December 31, 2015), each prepared in accordance with IFRS as adopted by the European Union, which have been audited by Deloitte & Associés and KPMG Audit, a department of KPMG S.A..

The summary financial information presented below should be read together with the sections entitled "*Presentation of Financial and Other Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" as well as the Issuer's historical financial statements as of and for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, including the accompanying notes, included elsewhere in these Listing Particulars.

The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of income for the three months ended March 31, 2017 and the consolidated statement of financial position as of December 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15, however an adjustment for the impacts of IFRS 15 on Adjusted EBITDA and capital expenditures for the year ended December 31, 2017 have been presented to aid comparability of the LTM Financial Information. See "*Summary Financial Information and Other Data—Adjusted EBITDA and Pro Forma Adjusted EBITDA of the Issuer*" and "*Summary Financial Information and Other Data—Capital Expenditures*". We also present an adjustment for the impacts of IFRS 15 on revenue for the year ended December 31, 2017 for the purpose of calculating the Adjusted EBITDA margin after taking into account the impacts of IFRS 15 for such period and for the purpose of presenting revenue for the twelve months ended March 31, 2018 after giving effect to the impacts of IFRS 15. The restatements and adjustments for the impact of IFRS 15 have not been audited. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars, for more information.

As a result of certain acquisitions and disposals that have been consummated by the Issuer during these periods, and the intra-year timing of such acquisitions and disposals, the comparability of the Historical Consolidated Financial Information over each of the periods presented below may be limited. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2016 compared to the year ended December 31, 2015—Significant Events Affecting Historical Results*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results*" *and* "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the three months ended March 31, 2018 compared to the three months ended March 31, 2017—Significant Events Affecting Historical Results*." Unless otherwise specified, the Historical Consolidated Financial Information does not give pro forma effect to the acquisitions and disposals that have been consummated by the Group during the periods presented in these Listing Particulars, or to any acquisitions and disposals occurring after March 31, 2018 (including, for the avoidance of doubt, the acquisition of the FOT Business, Altice Customer Services and Altice Technical Services France), and may therefore differ from the financial information relating to Altice France publicly reported by Altice Europe and its consolidated subsidiaries for the same periods which does give pro forma effect to certain of such acquisitions and disposals.

Consolidated Statement of Income

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017 (restated)(1)(2)		2018(1)(2)	
	(in millions of euros and as a % of total revenues)									
Revenues	**11,039**	**100.0%**	**10,991**	**100%**	**10,916**	**100%**	**2,661**	**100%**	**2,576**	**100%**
Purchasing and subcontracting	(3,890)	(35.2)%	(3,961)	(36)%	(4,026)	(37)%	(990)	(37)%	(852)	(33)%
Other operating expenses	(2,467)	(22.3)%	(2,263)	(21)%	(2,308)	(21)%	(660)	(25)%	(654)	(25)%
Staff costs and employee benefit expenses	(877)	(7.9)%	(945)	(9)%	(877)	(8)%	(239)	(9)%	(183)	(7)%
Depreciation, amortization and impairment	(2,554)	(23.1)%	(2,435)	(22)%	(2,754)	(25)%	(564)	(21)%	(613)	(24)%
Non-recurring income and expenses	(314))	(2.8)%	(432)	(4)%	(980)	(9)%	(103)	(4)%	(220)	(9)%
Operating income	**937**	**8.5%**	**954**	**9%**	**(28)**	**0%**	**105**	**4%**	**54**	**2%**
Financial income	782	7.1%	10	0%	209	(2)%	1	0%	1	0%
Cost of gross financial debt	(781)	(7.1)%	(1,043)	(9)%	(1,099)	(10)%	(193)	(7)%	(188)	(7)%
Other financial expenses	(47)	(0.4)%	(78)	(1)%	(177)	(2)%	(14)	(1)%	(12)	0%
Net financial income (expense)	**(46)**	**(0.4)%**	**(1,111)**	**(10)%**	**(1,068)**	**(10)%**	**(207)**	**(8)%**	**(200)**	**(8)%**
Share in net income (loss) of associates	6	0.1%	(4)	0%	(11)	0%	1	0%	0	0%
Income (loss) before taxes	**898**	**8.1%**	**(161)**	**(1)%**	**(1,107)**	**(10)%**	**(101)**	**(4)%**	**(146)**	**(6)%**
Income tax income (expense)	(215)	(1.9)%	(57)	(1)%	392	(4)%	14	(1)%	24	1%
Net income (loss) from continuing operations	**682**	**6.2%**	**(218)**	**(2)%**	**(715)**	**(7)%**	**(88)**	**(3)%**	**(122)**	**(5)%**
Net income (loss) from discontinued operations	—	—	—	—	—	—	—	—	—	—
Net income (loss)	**682**	**6.2%**	**(218)**	**(2)%**	**(715)**	**(7)%**	**(88)**	**(3)%**	**(122)**	**(5)%**
Group share	675	6.1%	(210)	(2)%	(693)	(6)%	(86)	(3)%	(119)	(5)%
Non-controlling interests	7	0.1%	(8)	(0)%	(22)	0%	(2)	0%	(3)	0%

(1) The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of income for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars for more information.

(2) After giving effect to the acquisition of the FOT Business, Altice Customer Services and Altice Technical Services and the disposals of the Voice Carrier business and certain press businesses as if such acquisition and disposals had occurred on January 1, 2017 and January 1, 2018, respectively, the Group's revenues (including IFRS 15 impact) for the three months ended March 31, 2017 and the three months ended March 31, 2018 would have been €2,627 million (B2C €1,723 million; B2B €493 million; Wholesale €257 million and Others €155 million) and €2,599 million (B2C €1,721 million; B2B €454 million; Wholesale €251 million and Others €155 million), respectively

Consolidated Statement of Financial Position

	As of December 31,			As of December 31,	As of March 31,
	2015	2016	2017	2017 (restated)(1)	2018(1)
			(in millions of euros)		
Assets					
Goodwill	10,554	11,146	11,199	11,199	11,199
Intangible assets	7,983	7,600	6,666	6,519	6.401

	As of December 31,			As of December 31,	As of March 31,
	2015	**2016**	**2017**	**2017 (restated)[1]**	**2018[1]**
			(in millions of euros)		
Contracts costs	0	0	0	152	156
Property, plant and equipment	5,627	6,021	6,424	6,424	6,491
Investments in associates	110	46	23	23	26
Non-current financial assets	2,112	2,131	736	736	536
Deferred tax assets	2	22	12	12	3
Other non-current assets	57	21	195	195	215
Total non-current assets	**26,445**	**26,986**	**25,255**	**25,259**	**25,027**
Inventories	286	235	289	289	324
Trade and other receivables	2,723	3,212	3,616	3,616	3,632
Contracts assets	0	0	0	266	236
Income tax receivables	271	159	151	151	142
Current financial assets	2	4	17	17	4
Cash and cash equivalents	355	452	451	451	354
Assets held for sale	0	59	0	0	77
Total current assets	**3,637**	**4,121**	**4,524**	**4,791**	**4,768**
Total assets	**30,081**	**31,107**	**29,779**	**30,050**	**29,795**
Equity and liabilities					
Share capital	440	443	444	444	444
Additional paid-in capital	5,360	5,388	5,403	5,403	5,403
Reserves	(1,545)	(2,221)	(2,920)	(2,738)	(2,942)
Equity attributable to the owners of the entity	**4,256**	**3,609**	**2,927**	**3,108**	**2,904**
Non-controlling interests	12	(37)	(85)	(85)	(88)
Consolidated equity	**4,267**	**3,572**	**2,841**	**3,023**	**2,816**
Non-current borrowings and financial liabilities	16,443	17,171	16,854	16,854	16,725
Other non-current financial liabilities	215	325	248	248	229
Non-current provisions	727	840	480	476	457
Non-current contracts liabilities	0	0	0	455	477
Deferred tax liabilities	816	615	263	357	281
Other non-current liabilities	780	617	568	112	123
Non-current liabilities	**18,981**	**19,568**	**18,414**	**18,503**	**18,291**
Current borrowings and financial liabilities	254	485	351	351	494
Other current financial liabilities	588	1,155	1,107	1,107	1,095
Trade payables and other liabilities	4,878	5,139	6,045	6,045	6,155
Current contracts liabilities	0	0	0	517	544
Income tax liabilities	187	207	105	105	105
Current provisions	328	396	350	350	174
Other current liabilities	597	540	566	49	41
Liabilities directly associated to assets held for sale	0	0	0	0	81
Current liabilities	**6,833**	**7,968**	**8,524**	**8,524**	**8,688**
Total equity and liabilities	**30,081**	**31,107**	**29,779**	**30,050**	**29,795**

[1] The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information as of March 31, 2018 reflects the change in accounting methodology. The consolidated statement of financial position as of December 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars, for more information.

Selected Cash Flow Data

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017 (restated)[1]	2018[1]
	(in millions of euros)				
Net cash flow provided (used) by operating activities	3,135	3,378	2,777	378	671
Net cash flow provided (used) by investing activities	(1,732)	(3,247)	(2,686)	(638)	(687)
Net cash flow provided (used) by financing activities	(1,758)	40	(117)	56	(20)
Total net increase (decrease) in cash and cash equivalents	**(355)**	**171**	**(27)**	**(204)**	**(36)**

[1] The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of cash flow for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars, for more information.

Adjusted EBITDA and *Pro Forma* Adjusted EBITDA of the Issuer

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,[2]
	2015	2016	2017	2017 (restated)[1]	2018 [1]	2018
	(in millions of euros)					
Adjusted EBITDA[3][4]	3,860	3,838	3,714	776	888	
FY 2017 Adjustment for IFRS 15 impact[2]			(78)			
Adjusted EBITDA (including IFRS 15 impact)			3,636	776	888	3,749
Adjustment for AENS Contract Renegotiation[5]						326
Adjustment for disposals[6]						(23)
Adjustment for FOT Acquisition, Altice Customer Services and Altice Technical Services France[7]						115
***Pro Forma* Adjusted EBITDA[8]**						**4,167**

[1] The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The financial information for the three months ended March 31, 2018 reflects the change in accounting methodology. The financial information for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars, for more information.

[2] The LTM financial information has been calculated by adding the Issuer's historical results for the three months ended March 31, 2018, to the Issuer's historical results for the year ended December 31, 2017 and the impacts of IFRS 15 for the year ended December 31, 2017, and subtracting the Issuer's historical results for the three months ended March 31, 2017. The Issuer's historical results for the three months ended March 31, 2017 and 2018 have been restated for the impacts of IFRS 15. The financial information for the year ended December 31, 2017 has not been restated for the impact of IFRS 15; however an adjustment for the impacts of IFRS 15 on Adjusted EBITDA for the year ended December 31, 2017 in an amount of €(78) million has been presented to aid comparability of the LTM financial information.

[3] Adjusted EBITDA is equal to operating income, adjusted for certain items as reflected in the table below. The Issuer believes that this measure is useful to investors as it provides them with a measure that excludes certain items that the Issuer considers to be outside its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding the Issuer's earnings and cash-flow generation that allows investors to identify trends in its financial performance. It should not be considered as a substitute measure for operating profit or profit for the period (as determined in accordance with IFRS), cash flows from operating, investing and financing activities or any other measures of performance under IFRS or other generally accepted accounting principles. Adjusted EBITDA as defined by us may not be comparable to similarly titled measures used by other companies. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*." The following table provides a reconciliation of operating income to Adjusted EBITDA.

Reconciliation of operating income to Adjusted EBITDA

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017 (restated)[1]	2018[1]
	(in millions of euros)				
Operating income	**937**	**954**	**(28)**	**105**	**54**
Depreciation, amortization and impairment	2,554	2,435	2,754	564	613
SFR and Virgin Mobile acquisition costs	16	—	—	—	—
Net restructuring costs[a]	80	167	673	16	0
Costs associated with stock option plans	9	4	2	0	—
Other non-recurring costs (revenue)[b]	263	278	314	90	220
Adjusted EBITDA	**3,860**	**3,838**	**3,714**	**776**	**888**

(a) For the year ended December 31, 2015, includes €37 million in commercial site restoration costs, resulting from the workforce consolidation at the Saint-Denis site, €15 million in costs for cancellation of contracts specifically associated with the network, and €14 million in provisions for the closure of shops. For the year ended December 31, 2016, includes the restructuring costs for retail stores for €37 million and the provisions for restructuring of the retail stores for €98 million. For the year ended December 31, 2017, includes net costs of the telecom division's voluntary plan departure in the amount of €700 million and the reversal related to the employee benefit provision in the amount of €49 million. €349 million of the collective restructuring costs for retail stores and the telecom division was paid in 2017.

(b) For the year ended December 31, 2015, includes losses arising as a result of the write off of property, plant and equipment and intangible fixed assets in an amount of €188 million, including a loss of €116 million related to the unfavorable outcome of litigation regarding our ownership of the DSP 92 network, the impact during the period of costs related to certain contracts prior to their renegotiations of €45 million, costs of €14 million relating to a litigation and other non-recurring charges of an amount of €16 million. For the year ended December 31, 2016, includes net costs related to litigation in an amount of €162 million, net losses on property, plant and equipment and intangible assets in an amount of €51 million and the impact of contract renegotiation in the period in an amount of €13 million. For the year ended December 31, 2017, includes costs related to litigation in the amount of €34 million, the losses linked to the scrapping of property, plant and equipment and intangible assets in the amount of €109 million and costs related to the change in office premises to the new Altice Europe campus in the amount of €130 million. Litigation costs notably include the reversal of provision for VTI litigation in the amount of €101 million. See "*Business of the Group—Legal Proceedings*". For the three months ended March 31, 2018, includes the break-up fee (€300 million (all of which remains outstanding as of the date of the Offering Memorandum)) with AENS relating to the cancellation of existing content contracts and entry into new revenue sharing contracts with a lower guaranteed minimum amount payable by the Issuer. These costs also include the write back of provisions related to various litigations following settlement agreements and judgements received in June 2018.

(4) The Adjusted EBITDA margin rate, which is equal to the Adjusted EBITDA for a relevant period as a percentage of revenues for such period, for the years ended December 31, 2015 and December 31, 2016 was 35.0% and 34.9%, respectively. This does not take into account any impacts of IFRS 15. The Adjusted EBITDA margin rate taking into account the impacts of IFRS 15 for the year ended December 31, 2017 (€(95) million on revenues and €(78) million on Adjusted EBITDA) was 33.6% and the Adjusted EBITDA margin rate taking into account the impacts of IFRS 15 for the three months ended March 31, 2017 and March 31, 2018 was 29.2% and 34.5%, respectively.

(5) Represents the costs incurred by the Group relating to the content distribution contracts with AENS for the second, third and fourth quarter of 2017. On January 8, 2018, Altice Europe announced that the existing content contracts between the Issuer and AENS would be cancelled and replaced by a new revenue sharing contract with a lower guaranteed minimum amount payable by the Issuer. The Issuer and AENS are currently in the process of agreeing the final terms of the revised contract, which is expected to be finalized in the fourth quarter of 2018. The Issuer plans to begin to monetize the content rights under the new content contract with AENS by charging its customers for such content. While we expect that in the medium term the revenue generated as a result of such monetization will at least equal the minimum guaranteed amount under the new contracts with AENS, this assumption may be impacted by a number of factors, including the number of customers subscribing to the content packages and pricing decisions of the Group. Therefore, there can be no assurance that proceeds from the monetization of the new content contracts with AENS will be in excess of the minimum amount guaranteed by the Group to be paid to AENS or that such monetization will result in incremental Adjusted EBITDA during any future periods.

(6) Represents Adjusted EBITDA generated by the Voice Carrier Business for the last twelve months ended March 31, 2018 and certain press businesses for the year ended December 31, 2017. The Issuer agreed to dispose of the Voice Carrier Business pursuant to an agreement entered into with Tofane Global in the first quarter of 2018. The Voice Carrier Business Disposition is expected to be consummated by the end of 2018. The Voice Carrier Business generated €240 million of revenue in the year ended December 31, 2017. For details regarding the sale of the press businesses in 2017, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results.*"

(7) Represents Adjusted EBITDA generated by the FOT Business, Altice Customer Services and Altice Technical Services France after intercompany eliminations for the twelve months ended March 31, 2018. The FOT Acquisition is expected to be

consummated in the third quarter of 2018. See "*Summary—Recent Developments*—Acquisition of Altice Europe's FOT Business." The FOT Business generated €190 million of revenue in the year ended December 31, 2017. The Issuer consummated the acquisition of Altice Customer Services and Altice Technical Services France on May 16, 2018. See "*Summary—Recent Developments—Closing of the previously announced acquisitions of Altice Customer Services and Altice Technical Services France*."

(8) Certain covenants applicable to our indebtedness are calculated on the basis of Pro Forma EBITDA (as defined therein) for the most recent two consecutive fiscal quarters on an annualized basis (i.e., multiplied by 2.0). The Pro Forma Adjusted EBITDA as set forth in these Listing Particulars calculated for the last two quarters ended March 31, 2018 on an annualized basis instead of the last twelve months ended March 31, 2018, would have been €4,045 million.

Capital Expenditures

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,[2][4]
	2015	2016	2017	2017 (restated)[1]	2018 [1]	2018
				(in millions of euros)		
Capital Expenditures[3]	2,370	2,312	2,368	491	571	
FY 2017 Adjustment for IFRS 15 impact[2]			18			
Capital Expenditures (including IFRS 15 impact)			2,386	491	571	2,466
Adjusted EBITDA (including IFRS 15 impact) less Capital Expenditures (including IFRS 15 impact)			1,250	285	317	1,282

[1] The Issuer has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The financial information for the three months ended March 31, 2018 reflects the change in accounting methodology. The financial information for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three month period ended March 31, 2018, included elsewhere in these Listing Particulars, for more information.

[2] The LTM financial information has been calculated by adding the Issuer's historical results for the three months ended March 31, 2018 to the Issuer's historical results for the year ended December 31, 2017 and the impacts of IFRS 15 for the year ended December 31, 2017, and subtracting the Issuer's historical results for the three months ended March 31, 2017. The Issuer's historical results for the three months ended March 31, 2017 and 2018 have been restated for the impacts of IFRS 15. The financial information for year ended December 31, 2017 has not been restated for the impacts of IFRS 15; however an adjustment for the impacts of IFRS 15 on Adjusted EBITDA and capital expenditures for the year ended December 31, 2017 in an amount of €(78) million and €18 million, respectively, have been presented to aid comparability of the LTM Financial Information.

[3] Capital Expenditures reflects accrued capital expenditures under the line item "acquisitions of property, plant and equipment and intangible assets".

[4] After giving effect to the acquisition of the FOT Business, Altice Customer Services and Altice Technical Services and the disposals of the Voice Carrier business and certain press businesses as if such acquisition and disposals had occurred on January 1, 2017, the Group's capital expenditures (including IFRS 15 impact) for the twelve months ended March 31, 2018 would have been €2,477 million.

Other Operating Data

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2015	2016	2017	2017	2018
	(in thousands except percentages and as otherwise indicated)				
Homes Passed[1]	**26,473**	**25,732**	**24,921**	**25,744**	**24,599**
Fiber/cable homes passed	7,711	9,316	10,951	9,634	11,239
Fixed B2C					
Fiber/cable unique customers[2]	1,814	2,038	2,231	2,083	2,327
Fiber/cable customer net adds	267	209	193	45	96
Total fixed B2C unique customers	6,353	6,113	5,943	6,079	6,014
Total fixed B2C customer net adds	(224)	(254)	(171)	(35)	71
Fixed ARPU[3] (€/month)	35.1	35.9	35.8	35.9	34.7
Mobile B2C					
Postpaid subscribers	12,604	12,337	12,535	12,405	12,774
Postpaid net adds	(400)	(267)	199	68	239
Prepaid subscribers	2,533	2,288	1,842	2,108	1,666
Total mobile B2C subscribers[4]	15,137	14,625	14,378	14,514	14,440
Mobile postpaid ARPU (€/month)	22.5	22.6	22.7	25.5	24.1

[1] A home is considered "passed" if it can be connected to the transmission system with no additional extension to the network. Total homes passed in France includes unbundled DSL homes outside of the Issuer business's fiber/cable (FTTH / FTTB) footprint.

[2] Fiber/cable unique customers represents the number of individual end users who have subscribed for one or more of the Issuer's fiber/cable based services (including pay television, broadband or telephony), without regard to the number of services to which

the end user subscribed. It is calculated on a unique premises basis. The total number of fiber/cable customers does not include subscribers to either the Issuer's mobile or ISP services. Fiber/cable customers for France excludes white-label wholesale subscribers and includes a total of approximately 19,000 La Poste TV customers from a new revenue sharing agreement within the B2C fixed base from the fourth quarter of 2016 (approximately 4,000 net additions in the fourth quarter).

(3) ARPU is an average monthly measure that the Issuer uses to evaluate how effectively the Issuer is realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two.

(4) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Issuer's mobile networks.

Certain As Adjusted Information

	As of and for the twelve months ended March 31, 2018
	(in € millions)
As adjusted net financial debt (after currency impact of derivative instruments)[1]	16,129
Pro Forma Adjusted EBITDA	4,167
Ratio of as adjusted net financial debt (after currency impact of derivative instruments) to *Pro Forma* Adjusted EBITDA	3.9x

[1] Reflects total financial debt of the Issuer after taking into account the exchange rate effect of derivative instruments with respect to our existing debt minus cash and cash equivalents, on an as adjusted basis after giving effect to the Refinancing Transactions, the FOT Acquisition and the acquisitions of Altice Customer Services and Altice Technical Services France. See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*", *"Use of Proceeds"* and "*Capitalization.*"

RISK FACTORS

An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in these Listing Particulars. If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on the Group's business, prospects, results of operations and financial condition and its ability to make payments on the Notes and could therefore have a negative effect on the trading price of the Notes and on your investment. Described below and elsewhere in these Listing Particulars are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on the Group's results of operations, financial condition, business or operations in the future. In addition, the Group's past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. These Listing Particulars also contains forward looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in these Listing Particulars. See "Forward Looking Statements".

In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries.

Risks Relating to the Group's Industry and Market

The Group faces significant competition in each of the industries in which the Group operates and competitive pressures could have a material adverse effect on the Group's business.

The French telecommunications market is a mature market, marked by very active competition between the main operators and very strong pressure on prices. The Group faces significant competition from established and more recent competitors and may face competition from new entrants and market concentrations in the future. While the nature and level of competition to which the Group is subject vary according to the products and services that it offers, in each case the Group generally competes on the basis of prices, marketing, products, network coverage, characteristics of services, and customer service. The main competitor of the Group in its B2B markets overall is Orange, the incumbent telecommunications operator in France, that has greater financial resources and owns a more extensive network than the Group's and that is unlikely to be duplicated or matched by the Group in the near future. Bouygues Telecom Enterprises ("Bouygues Telecom") and Iliad are also major competitors of the Group in the B2C market. In the premium pay-TV market Groupe Canal+ products are available throughout the French territory via satellite, cable, and DTT and DSL technologies. In the B2B market, in addition to Orange and Bouygues Telecom, the Group also competes with international telecommunications operators such as Colt, Verizon, AT&T, and BT, which offer multinationals access to their international networks while the Group's network is available only in France.

The Group's products and services are also subject to increasing competition from alternative new technologies or improvements in existing technologies. New players from sectors that are either unregulated or subject to different regulations (including internet players such as Yahoo, Google, Microsoft, Amazon, Apple, YouTube, Netflix and other audiovisual players, media players and over the top ("OTT") (of an existing broadband internet network) players) have also emerged as competitors to the Group's video content offering. These players are taking advantage of improved connectivity and platform agnostic technologies to offer OTT and cloud based services. Telecommunications operators are expected to maintain traditional access services and billing relationships over which users access services from adjacent players such as well-known companies offering music, video, photos, apps and retail. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the market, which would put pressure on the revenues and margins of operators like the Group, while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect the Group's business, financial condition or results of operations.

Moreover, the Group is also facing competition from non-traditional mobile voice and data services based on new internet technologies, in particular OTT applications, such as Skype, Google Talk, Facetime, Viber and WhatsApp. These OTT applications are often free of charge, accessible via smartphones and allow their users to have access to potentially unlimited messaging and voice services over the internet, thus bypassing more expensive traditional voice and messaging services, such as SMS and MMS, provided by mobile network operators like the Group, who are only able to charge the internet data usage for such services. All telecommunications operators are currently competing with OTT service providers who leverage existing infrastructures and operate capital-light business models, enhancing their ability to compete with businesses, such as the Group's, which operate capital-intensive business models. OTT service providers have over the past years become more sophisticated and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand capability and financial strength, such as Apple, Google and Microsoft, have turned their attention to the provision of OTT audio and data services. In the long term, if non-traditional mobile voice and data services or similar services continue to increase in popularity and if the Group, or more generally all of the telecommunications operators, are not able to address this competition, this could cause declines in ARPU, subscriber base and profitability across all of the Group's products and services, among other material adverse effects.

In addition, the Group may face increasing competition from the large-scale roll-out of public Wifi networks by local governments and utilities and transportation service providers, new and existing Wifi telecommunications operators and others, which particularly benefits OTT service providers. Due to their ability to leverage existing infrastructure and to roll out public Wifi in a cost-efficient way, the Group's competitors may be better positioned to offer their customers public Wifi access at attractive terms and conditions or as part of their current mobile and landline offerings, which may affect the Group's ability to retain or acquire customers. Furthermore, the Group's competitors may realize cost savings by off-loading mobile data traffic onto their own Wifi networks or those of their partners in order to reduce costs and increase bandwidth more quickly or efficiently than the Group can. An increase in public Wifi networks could also cause declines in ARPU and profitability as demand for the Group's network and services decreases.

The following is an overview of the competitive landscape in France:

Mobile

The Group competes with service providers that use alternative technologies for internet access, such as satellite technologies or mobile standards such as universal mobile telecommunications system ("UMTS") and 3G/4G mobile technologies. These mobile broadband high speed internet access technologies may enable both incumbent and new broadband access providers to provide high bandwidth connection services for voice and data. Furthermore, additional access technologies may be launched in the future that will further increase competition or lead the Group to increase capital expenditure for additional upgrades. Providers of mobile broadband internet access may be able to offer fast internet access speeds at a competitive cost, with the additional possibility of allowing subscribers to access the internet remotely.

The French mobile telephony market is characterized by competition among well-established mobile network operators such as Orange, Bouygues Telecom and Free and other operators without their own mobile networks ("MVNOs"). Competition has intensified, particularly as to price, since Free entered the market in early 2012 with a low-priced unlimited calling package. The mobile telephony market in France is currently undergoing a transformation because of competitive pricing, bundled packages no longer including subsidized handsets and the development of "low cost" brands.

Fixed

In the French pay-TV market, the Group competes with providers of premium television packages such as CanalSat, DSL triple-play and/or quadruple-play operators such as Orange, Free and Bouygues Telecom, which provide IPTV, and providers of pay DTT (such as Canal+, which operates across multiple formats: including IPTV, pay DTT, satellite and cable). The growth of IPTV, which is the most popular pay-TV distribution platform followed by satellite and DTT, has changed the market, opening up the provision of pay-TV services beyond the traditional methods of cable and satellite, which is limited by the inability to install a satellite dish on the façade of buildings in certain areas, such as central Paris. The Group also competes with satellite television services that may be able to offer a greater range of channels to a larger audience, reaching wider geographic areas (especially in rural areas) for lower prices than the prices of the Group's cable pay-TV services. Any increase in market share of satellite distribution may have a negative impact on the success of the Group's digital cable television services. The Group also faces competition from satellite distribution of free to air television programming. While pay DTT's share of the pay-TV market is currently low, providers of pay DTT may in the future be able to offer a wider range of channels to a larger audience for lower prices than the Group charges.

In the broadband market the Group provides high speed internet through its cable network and xDSL network and it competes primarily with xDSL and FTTH providers, with FTTH currently being the most widespread technology used to access broadband internet in France. Orange is the leading DSL provider in France, followed by Free, the Group and Bouygues Telecom. While the Group believes that the superior performance and capacity of its fiber optic/cable network compared to its competitors' xDSL networks and the relatively limited coverage of their fiber networks currently places the Group at a competitive advantage to exploit the increased demand in France for very-high-speed internet in the areas covered by the Group's fiber optic/cable network, such competitive advantage may be diminished to the extent that xDSL operators roll out FTTH or VDSL2 networks. For further information see "*Risk Factors—The deployment of fiber optic networks and/or VDSL2 by competitors of the Group could reduce and ultimately eliminate the gap between the speed and the power of the fiber optic/cable network of the Group compared to the DSL networks of its main competitors.*" In addition, the Group's xDSL competitors' networks cover more French households than the Group's network and pricing is very competitive.

B2B

In the B2B segment the Group's main competitors are Orange (Orange Business Services) and Colt. Bouygues Telecom is also a competitor in the SME segment. The French B2B market for voice services is extremely price sensitive, with sophisticated customers, relatively short term (typically one year) contracts, and vulnerability to cuts in mobile termination rates. The ability to compete effectively is partially a function of network capillarity, and certain of the Group's competitors have a more extensive and denser network than us. In the data market, customers also often seek combined infrastructure and software solutions. As a result, the Group also competes with software and other IT providers of data and network solutions, which may decrease the value customers place on its infrastructure solutions, leading to a reduction in its prices and margins. IT providers may also partner with the Group's infrastructure telecommunications competitors.

Wholesale

The French wholesale telecommunications market is dominated by Orange and the Group, although Orange's and the Group's market shares vary depending on the segment. The Group also faces competition from consortiums of telecommunications operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fiber in construction sites and then lease them on the wholesale market). The wholesale market for data services in France is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement. The wholesale market for dark fiber infrastructure in France is more open than for wholesale voice and data carriage, as providing it does not require having a dense, national network and does not include any services would require technical expertise.

We expect competition in the French telecommunications industry to remain intense and there can be no assurance that the Group will not be negatively impacted by any future consolidation of the Group's competitors or similar developments in one or more of the markets in which the Group competes.

The deployment of fiber optic networks and/or VDSL2 by competitors of the Group could reduce and ultimately eliminate the gap between the speed and the power of the fiber optic/cable network of the Group compared to the DSL networks of its main competitors.

The Group believes that one of its major competitive advantages is the power and speed of its fiber optic/cable network. As of March 31, 2018, the Group's network passed approximately 11,239,000 fiber/cable homes. However, the competitors of the Group could deploy fiber optics and/or VDSL2 networks enabling download speeds and bandwidths that could rival those reached by the Group's network, and thus strongly reduce the Group's competitive advantage. The Group's main competitors (Orange, Free and Bouygues Telecom) have begun to introduce FTTH networks to increase and harmonize their network speed. On March 17, 2015, Orange launched its strategic plan for 2020 and announced that it would invest more than €15 billion in its networks between 2015 and 2018. With regard to very-high-speed fixed broadband, Orange has the objective of tripling its investments in fiber optics between 2015 and 2020 and increasing its connected households from 3.6 million at the end of 2014 to 12 million in 2018 and 20 million in 2022 (source: Orange press release).

Furthermore, other operators may obtain access to the infrastructure deployed by an operator through joint projects for financing. All of the DSL operators have announced various agreements on sharing the deployment of FTTH in given areas. For example, Orange and Free entered into a contract in July 2013 providing for the deployment by Free of a fiber network using Orange's infrastructure in approximately 20 French cities, which allows for open access to all competing operators. In addition, in 2013 the government announced a FTTH deployment plan of €20 billion (invested by private operators and local authorities) with the objective of providing very-high-speed internet access to the entire territory in 2022. The government will provide a subsidy package of €3.3 billion, partly from funding from the Investments for the Future Program managed by the Office of the General Commissioner of Investment under the 2015 Budget Act. The rollout has been divided in three zones: very dense areas (5.5m households) and low-density areas (12.5m households), that are already covered or will be covered by FTTH with privately-funded networks; and low-density areas (15.2m households), where private operators will co-invest with public partners. Orange and the Issuer will lead the deployment of the very-high speed network in privately-funded, low density areas, with the Issuer being in charge of c.20% of the network deployment. Various local and regional authorities have already extended subsidies to network operators to install FTTH connections. This trend should continue, as certain departments, municipalities and regions, such as Hauts-de-Seine, Amiens and Louvin, for example, have entered into public-private partnerships to encourage such investments. In such areas, various operators will have access to the network and will be able to compete. In addition, in accordance with the conditions established by ARCEP, third-party operators may have access to the infrastructure used by an operator, including by co-financing projects, for their own very-high-speed internet offers.

As a result, FTTH deployment by the Group's competitors could accelerate and the share of FTTH on the high-speed internet market could grow significantly. While parts of the Group's network may be eligible for the program, its effect on the Group and the future of fiber deployment in France are unclear as of the date of the Offering Memorandum.

VDSL2 technology has also been implemented in some areas by competitors of the Group. Deployment of VDSL2 only requires adding VDSL2 cards in already deployed digital subscriber line access multiplexers ("DSLAMs") and does not involve physical intervention at the subscriber's premises. Moreover, the deployment of this technology has accelerated since October 2014 given the favorable opinion of the copper experts committee that has allowed the marketing, starting from that date, of VDSL2 in indirect distribution on all lines from a main distribution frame ("MDF") on Orange's local copper loop. As of March 31, 2018, approximately 5.8 million households were eligible for VDSL2 (source: ARCEP).

If the competitors of the Group continue to deploy or significantly increase their fiber optic networks they could be able to compete with the Group in terms of the offering of high-speed internet and television services of a quality and speed greater than or equal to those of the Group, thus potentially eliminating the Group's current competitive advantage, increasing the pressure upon prices and margins and leading the Group to make significant investments in order to match the services they offer. Deployment of VDSL2 and/or fiber optic networks by competitors also represents a risk for the B2B segment of the Group, particularly with regard to medium-sized, small-to-medium-sized and very-small-sized businesses to which the Group's DSL and fiber/cable networks network presently represent an advantage. Although the Group is preparing for this deployment by improving its product range and building out its fiber/cable network, such deployment could have a material adverse effect on the Group's business, financial position and results of operations.

Prolonged weakness or deterioration in macroeconomic conditions in France and the Eurozone could have a negative effect on the Group's business, financial position and results of operations.

The Group earns all of its revenues in France. It is therefore highly dependent on the economic trends in France. On November 8, 2013 Standard & Poor's Ratings Services downgraded France's sovereign debt rating by one notch to AA, where it currently stands. On December 13, 2014, France was downgraded by Fitch by one notch to AA, where it currently stands. On September 18, 2015, France was downgraded by Moody's by one notch to Aa2, where it currently stands. There can be no guarantee that there will not be a downgrade of France's sovereign debt rating in the future.

Poor performance of the French economy, particularly due to a possible resurgence of the Eurozone debt crisis, could have a direct negative impact on consumer spending habits and on businesses in relation to products and their usage levels. Such poor performance could (i) make it more difficult for the Group to capture new subscribers and customers, (ii) increase the likelihood that some subscribers or customers of the Group might reduce the level of subscribed services or terminate their subscriptions and (iii) make it more difficult for the Group to keep its ARPU or its prices at current levels.

Further, on June 23, 2016, the United Kingdom ("UK") held a referendum in which voters approved, on an advisory basis, an exit from the European Union ("EU") commonly referred to as "Brexit." Although the vote was non-binding, the referendum was passed into law on March 16, 2017 and the British government has commenced negotiations to determine the terms of the UK's withdrawal from the EU. It is possible that other members of the European monetary union could hold similar referendums regarding their membership within the Eurozone in the future. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries or, in more extreme circumstances, the possible dissolution of the Euro entirely, which could result in the redenomination of a portion or, in the extreme case, all of the Group's Euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of the Group's assets, liabilities and cash flows. Any such mismatch, together with the capital market disruption that would likely accompany any such redenomination event, could have a material adverse impact on the Group's liquidity and financial condition. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the Eurozone countries, which in turn could have an adverse impact on demand for the Group's products and, accordingly, on its revenue and cash flows. Moreover, any changes from Euro to non-Euro currencies would require the Group to modify its billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow the Group to timely bill its customers or prepare and file required financial reports. In light of the significant exposure that the Group has to the Euro through its Euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on its business.

The reputation and financial position of the Group may be affected by problems with the quality of products and services and their availability.

Many products and services of the Group are produced and/or maintained using complex and precise technological processes. These complex products and services may contain defects or experience failures when first introduced or when new or improved versions are released. Despite the testing procedures it has implemented, the Group cannot guarantee that faults will not be found in its new products and services after their launch. Such faults could result in a loss or delay in market acceptance of the Group's products and services, increased costs associated with customer support, delays in service, delayed revenue generation or lost revenue, defective products eliminated from inventories and replacement costs, or could undermine the reputation of the Group with its customers and the industry.

Any loss of confidence by customers in the Group may cause sales of its other products and services to drop significantly. Furthermore, the Group may have difficulty identifying customers of defective products and services. As a result, it could incur substantial costs to implement modifications and correct defects. Any of these problems could materially adversely affect the Group's results of operations.

Furthermore, demand for the Group's products or the products it offers as part of its services, including TV decoders, high-speed routers, mobile handsets, among others, may increase rapidly. The Group may fail to accurately estimate the demand for those products and services, which could results in a temporary shortage of supply leading to a drop in new subscriptions for the Group's services and could have a material adverse impact on the Group's results of operation.

Customer churn, or the threat of customer churn, may adversely affect the Group's business.

The Group's ability to attract and retain subscribers or to increase profitability from existing subscribers will depend in large part on the Group's ability to stimulate and increase subscriber usage, convince subscribers to switch from competitors' services to the Group's services and the Group's ability to minimize customer churn. Customer churn is a measure of the number of customers who stop subscribing for one or more of the Group's products or services. Churn arises mainly as a result of the contractual subscription period (generally 12 months in the B2C segment and between one and three years in the B2B segment), competitive influences, the relocation of clients outside of the Group's network area (which is less extensive than its competitors), mortality and introduction of new products and technologies, deterioration of personal financial circumstances, price increases and regulatory developments. Customer churn may also increase if the Group is unable to deliver satisfactory services over its network, or if it modifies the types of services it makes available in a certain region. In addition, customer churn also arises upon the cancellation of services to customers who are delinquent in their payments to the Group. In addition, any interruption of the Group's services or the removal or unavailability of programming, which may not be under the Group's control or other customer service problems could contribute to an increased customer churn. In addition, the Group outsources many of its customer service functions to third party contractors over which it has less control than if it were performing those tasks itself.

The Group has experienced significant churn in mobile and fixed customers in recent years due to intense competition. Moreover, the churn rate in the Group's white label business may increase for reasons outside the Group's control (as it is not involved in client services and retention). In particular, churn in Bouygues Telecom's DSL white label customers has already led to a decrease in white label subscribers, which is expected to continue in the long term (see "*Business of the Group—Material Contracts—White Label Agreements*"). In addition, the Group's B2B segment is also subject to tariff churn (i.e. an existing customer negotiating tariff decreases). Large corporate customers in particular are highly sophisticated and often aggressive in seeking to renegotiate the pricing of their contracts leading to margin pressure. Any increase in customer churn could have a material adverse effect on revenues and an even greater impact on margins due to the fixed cost nature of the Group's business.

The Group's future revenue growth depends in part on market acceptance of new product introductions and product innovations.

In general, the telecommunications industry is characterized by the frequent introduction of new products and services or upgrading of existing products and services, in connection with new technologies, as well as changes in usage patterns and in customer needs and priorities. The Group's long term results of operations therefore depend substantially upon its ability to continue to conceive, design, source and market new products and services as well as continuing market acceptance of its existing and future products and services. Should the Group fail to or be significantly delayed in introducing new products and services in the future, if its new products and services are not accepted by customers, or if its competitors introduce more sophisticated or more popular products and services, the Group's business and results of operations may be adversely affected.

The Group might not be able to respond appropriately to technological developments.

To remain competitive, the Group must continue to increase and improve the functionality, availability, and characteristics of its network, particularly by improving its bandwidth capacity and its 4G coverage to meet the growing demand for the services that require very-high-speed telephony and internet services.

In general, the telecommunications industry is facing challenges relating to:

- rapid, significant technological evolution;
- frequent improvement of existing products or services resulting from the emergence of new technologies; and
- the establishment of new industry practices and standards that make current systems and technologies obsolete.

While the Group attempts to stay ahead of the market, closely following technological developments and making investments implementing such developments, it is difficult to forecast the effect that technical innovations will have on the Group's business. The Group may also be unable to adapt to new or existing technologies to meet customer needs within an appropriate time frame, or a competitor may do so before the Group does, which could have a material adverse effect on the Group's business, financial condition and results of operations. The Group may also be required to incur additional marketing and customer service costs in order to retain and attract existing customers to any upgraded products and services it offers, as well as to respond to competitors' advertising pressure, and potentially more extensive marketing campaigns, which may adversely affect the Group's margins.

Risks Relating to the Group's Business

The Group might not be able to effectively implement or adapt its business strategy.

The Group has based its strategy on its vision of the market, especially the importance of very-high-speed fiber/cable and mobile networks and of fixed-mobile convergence. At the core of the Group's strategy is a return to revenue, profitability and cash flow growth. Key elements of this strategy include: (i) operational and financial turnaround under the leadership of a new management team; (ii) optimizing commercial performance with a particular focus on customer services; (iii) continuing to invest in best-in-class infrastructure commensurate with its market position, (iv) monetizing content investments through various pay TV models and growing advertising revenue and (v) execution of the non-core asset disposal program, including part of its mobile tower portfolio. However, the Group is evolving in a market affected by economic, competitive and regulatory uncertainty and the Group must regularly adapt its business model to take into account market changes such as changes in consumer behavior, introduction of new technology, products or services, competition and the development of specific pricing policies, the adaptation of its structural costs, the streamlining of its operational organization, and the adaptation of its sales strategy. If the measures taken by the Group do not meet the demands, expectations, or habits of the consumer, it will have an adverse effect on the return on investments, financial targets, market share, and revenues generated. Consequently, any development of the Group's business strategy that proves not to be sufficiently adapted to the actual trends and demands, expectations, or habits of the consumer in the telecommunications market may not achieve its desired goals and/or have a material adverse effect on its business, financial position and results of operations.

Moreover, the transformation of the Group following the execution of certain strategic transactions, including non-core asset disposals, strategic acquisitions and investments or entry into joint venture arrangements, could create operational difficulties and unforeseen expenses and could give rise to significant administrative, financial, and managerial challenges involving the activity of the Group. Such strategic transactions may also disrupt our ongoing business, cause management's attention to be diverted and result in legal, regulatory, contractual, labor, or other difficulties that have not been foreseen or disclosed.

We periodically evaluate, and have engaged in, the disposition of certain non-core assets and businesses. Divestitures could involve difficulties in the separation of operations, services, products and personnel, the diversion of management's attention, the disruption of our business and the potential loss of key employees. After reaching an agreement with a buyer for the disposition of a business, the transaction may be subject to the satisfaction of pre-closing conditions as well as to obtaining necessary regulatory and government approvals, which, if not satisfied or obtained, may prevent us from completing the transaction. Divestitures may also involve continued financial involvement in the divested assets and businesses, such as indemnities or other financial obligations, in which the performance of the divested assets or businesses could impact our results of operations. Any divestiture we undertake could adversely affect our financial condition and results of operations. In certain cases, we have entered into or may enter into joint venture arrangements with a majority or minority interest in such joint ventures. Even in cases where we have retained a majority interest our joint venture partner may have significant influence over policies, including consent rights with respect to certain specified matters. We have a lesser degree of control over the business operations of the joint ventures and businesses in which we have made minority investments. For example, on June 20, 2018, the Issuer entered into an exclusivity and put option agreement with Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR ("**Tower Purchaser**") for the sale of 49.99% of the shares in a newly incorporated tower company ("**SFR TowerCo**") that will comprise 10,189 sites currently operated by the Group (the "**Towers Transaction**"). See "*Summary—Recent Developments—Disposition of Tower Assets*" for more information. The closing of the Towers Transaction is expected to occur in the financial quarter ending December 31, 2018 and is subject to certain conditions precedent, including that at least 90% of the sites have been contributed to SFR TowerCo, as well as regulatory approvals. Any failure to satisfy such conditions precedent may delay completion of the Towers Transaction, or may result in the failure to consummate the Towers Transaction altogether. There can be no assurance that such terms and conditions will be satisfied in a timely manner, if at all, or that the satisfaction of such terms and conditions will not be materially adverse the Group's operating results. There can therefore be no assurance that we will be permitted to consummate the Towers Transaction, do so in a timely fashion or do so without the implementation of burdensome remedies. Failure to consummate the Towers Transaction could have a material adverse effect on our business, financial condition and results of operations.

Historically, our business has grown, in part, through a significant number of acquisitions, including the transformative SFR Acquisition. We may continue to grow our business through selective acquisitions of, or investments in, businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies. The success of this strategy of pursuing strategic opportunities through selective acquisitions or other combinations depends on the ability of the Group to identify the appropriate targets, audit such targets appropriately, negotiate favorable terms, and lastly carry out these transactions and integrate the new acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs or fail to realize all of the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of acquired businesses. Such transactions may also require the approval of governmental authorities (either domestically or, in the case of the EU, at the European Union level), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In addition, future consolidations in the sectors where the Group operates will reduce opportunities for acquisitions or combinations. The Group believes that some of its competitors are implementing similar acquisition strategies and these competitors may have greater financial resources to make investments or may be able to accept less favorable terms than the Group, thus depriving the Group of opportunities and reducing the number of potential acquisition targets. The implementation of the Group's acquisition strategy could increase the level of indebtedness of the Group, which could create new or intensify existing risks faced by the Group (see "*—Risks Relating to the Group's Financial Profile*"). Furthermore, the Group's ability to make acquisitions is limited by its financing agreements. See "*Description of Other Indebtedness*".

Revenue from certain of the Group's services is declining, and the Group may be unable to offset this decline.

The Group's revenues in the mobile services, fixed, wholesale and media segments declined in the three months ended March 31, 2018 compared to the year ended three months ended March 31, 2018. The Group's revenues in the B2C, B2B and wholesale segments also declined in the year ended December 31, 2017 compared to the year ended December 31, 2016. While the Group is focused on achieving an operational financial turnaround under the leadership of a new management team, there can be no assurance that this trend will not continue in future periods.

The Group expects its DSL business with Bouygues Telecom to continue to decline. In particular, churn in Bouygues Telecom's DSL white label customers has already led to a decrease in white label subscribers. If the revenue and profitability loss from such businesses is not offset by revenue and profitability growth in other Group businesses, this could have a material adverse effect on the Group's business activities, the results of operation and financial condition.

In addition, the Group could experience further decreases in customers on its DSL network in the future due to their migration to fiber/cable networks providing them with access to greater internet speeds compared with those available on DSL networks. If the revenue and profitability loss from customers on the Group's DSL network is not offset by revenue and profitability growth on the Group's fiber/cable network, this could have a material adverse effect on the Group's business activities, the results of operation and financial condition.

Pressure on customer service could adversely affect the Group's respective businesses.

The volume of contacts handled by the Group's customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on the Group's customer service functions. Increased pressure on such functions is associated with decreased satisfaction of customers.

For example, in the B2B and Wholesale segments of the Group, customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment, and delays and service problems result in both penalties and the potential loss of a customer. In these segments, the Group relies on its experienced key customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers.

Improvements to customer service functions may be necessary to achieve desired growth levels, and, if the Group fails to manage such improvements effectively and achieve such growth, the Group may in the future experience customer service problems which may damage its reputation, contribute to increased churn and/or limit or slow the Group's future growth.

If the Group is unable to obtain attractive content on satisfactory terms for its services, the demand for these services could be reduced, thereby lowering revenue and profitability.

The success of the Group's pay TV services depends on access to an attractive selection of television programming. For example, the ability to provide movies, sports and other popular programming, including video-on-demand ("VOD") content, is a major factor that attracts subscribers to pay TV services, especially premium services. The Group relies on digital programming suppliers for a significant portion of the Group's programming content and VOD services. The Group may not be able to obtain sufficient high quality programming and other content from third party producers for the Group's digital cable television and other services on satisfactory terms or at all in order to offer compelling digital cable television services. The Group also relies on certain of its competitors for the provision of certain content offerings. In addition, to the extent that the Group is unable to reach agreements with certain content providers on terms that the Group believes are reasonable, the Group may be forced, or may determine for strategic or business reasons, to remove such content from its line-up and may decide to replace it with other programming, which may not be available on acceptable terms or be as attractive to customers. There can be no assurance that the Group's expiring programming and other content contracts will be renewed on favorable or comparable terms or at all, or that the rights the Group negotiates will be adequate for it to execute the Group's business strategy. The inability to obtain high quality content, may also limit the Group's ability to migrate customers from lower tier programming to higher tier products, thereby inhibiting the Group's ability to execute its business strategy. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, the Group's digital cable television and other content services.

Programming and content-related costs are one of the Group's largest categories of expenses. In recent years, the cost of programming in the cable and satellite video industries has increased significantly and is expected to continue to increase, particularly with respect to costs for sports programming and broadcast networks. The Group may not be able to pass these increased programming costs on to the Group's subscribers due to the increasingly competitive environment that the Group operates in. If the Group is unable to pass these increased programming costs on to its subscribers, its business, financial condition and results of operations may be adversely affected. Moreover, programming costs typically include a minimum guaranteed amount and a variable amount related directly to the number of subscribers to whom the programming is provided, which may affect the Group's ability to negotiate lower per-subscriber programming costs and which could impact the Group's operating margins. The expiration dates of the Group's various programming contracts are staggered, which results in the expiration of a portion of its programming contracts throughout each year. For example, certain agreements with Canal+ expired in 2016 and 2017. The Group may not be able to renegotiate these distribution agreements on terms as favorable as those of the current agreements, which could result in a decline in the revenue generated by the distribution agreements or an increase in the Group's costs deriving from broadcaster licences. The Group attempts to control its programming costs and, therefore, the cost of the video services it charges to its customers, by negotiating favourable terms for the renewal of its affiliation agreements with programmers. Such negotiations have in the past and may in the future affect the Group's carriage of particular programming services. Furthermore, content providers and broadcasters may choose to broadcast their programming through other platforms such as the CanalSat satellite platform or TNT broadcasting, or to enter into exclusive distribution agreements with other distributors, which may limit the competitive advantage of the Group as the sole provider of bundled offerings of content similar to what is offered by CanalSat without additional cost. Such actions may cause inconvenience to some of the Group's subscribers and can lead to customer dissatisfaction and, in certain cases, the loss of customers, which may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, as long as the Group continues to develop its VOD and other interactive services, its ability to acquire programs for its free VOD offerings (replay), VOD by subscription, and one-time VOD will become more and more crucial and will depend on the ability of the Group to maintain a relationship and cooperation with content providers and broadcasters, for both standard-definition ("SD") as well as HD content.

If the Group cannot obtain and keep competitive programs at attractive prices on its networks, demand for its services could decline, thus limiting its ability to maintain or increase the revenue. A loss of programs or an inability to ensure the availability of premium content under favorable terms could have a material adverse effect on the business activities of the Group, its financial position and its results of operations.

Changes in competitive offerings for content, including the potential rapid adoption of piracy-based video offerings, could adversely impact the Group's business.

The market for content is intensely competitive and subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video, sports and other content. The various economic models underlying these channels include subscription, transactional, ad-supported and piracy-based models. All of these have the potential to capture meaningful segments of the content market. Piracy, in particular, threatens to damage our business, as its fundamental proposition to consumers is so compelling and difficult to compete against: virtually all content for free. Furthermore, in light of the compelling consumer proposition, piracy services are subject to rapid global growth. Traditional providers of content, including broadcasters, as well as internet based e-commerce or content providers are increasing their internet-based offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to providing content. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully or profitably compete with current and new competitors, our business will be adversely affected, and we may not be able to increase or maintain market share, revenues or profitability.

The reputation of the Group is in part dependent on the relationship of the Group with its third party providers.

The Group relies on third-party suppliers to provide services to its customers and to perform its business activities. Any delay or failure by such third parties in providing services or products, any increase in the prices charged to the Group, or any decision not to renew their contracts with the Group could lead to delays or interruptions in the activities of the Group, which could damage the reputation of the Group and result in the loss of revenue and/or customers.

The Group utilizes suppliers of equipment and software, including suppliers of TV decoders, conditional access system suppliers, as well as suppliers of high-speed routers and mobile terminals. The Group also employs the services of subcontractors to maintain its network, manage its call centers, and supply, install, and maintain equipment set up at private households and at the premises of B2B customers. Although the Group works with a limited number of subcontractors, who are carefully selected and supervised, it cannot guarantee the quality of the services or that these services will comply with the quality and safety standards imposed by the Group or required by other contracting parties. If there are defects in the equipment or software or the services involving these products, or if the tasks of the subcontractors of the Group are not performed properly, it may be difficult or even impossible to make a claim against the suppliers or subcontractors, particularly if the warranties provided for in the contracts entered into with suppliers or subcontractors are not as extensive as those contained in the contracts entered into between the Group and its customers in certain specific cases or if these suppliers or subcontractors are insolvent or have suspended payments. These difficulties could undermine relations between the Group and its customers, as well as the reputation of the Group's brand.

Like many companies in the telecommunications industry, the Group is also dependent on some of its competitors. In particular, the Group depends on Orange to access a portion of its network infrastructure, on Bouygues Telecom for access to certain mobile networks and on Canal+ Group, with which the Group has entered into a number of contracts for the supply of content. See "*Business of the Group—Material Contracts*". The Group might not be able to renew these contracts or to renew them under favorable terms. In many cases the Group has made significant investments in the equipment or software of a particular supplier, which makes it more difficult to rapidly change its procurements or maintenance services if its original supplier refuses to offer it favorable prices or ceases to produce equipment or provide services that the Group requires.

The Group cannot guarantee acquisition of the equipment, software, and services necessary for its business under competitive terms and in appropriate quantities. If any of these risks materializes technical problems could arise, the Group's reputation could be impaired, customers could be lost, and there could be a material adverse effect on the business activities of the Group, its financial position and its results of operations. See "*Business of the Group—Suppliers*".

The continuity of the Group's services strongly depends on the proper functioning of its IT and network infrastructure and any failure of this infrastructure could have a material adverse effect on the business of the Group, its financial position and its results of operations.

The reliability and quality (both in terms of service as well as availability) of the Group's information systems and networks, particularly for its mobile and fixed businesses, are key components of its business activities, the continuity of its services and the confidence of its customers. More specifically, the unavailability or failure of information systems used by the Group, the Group's network, the production of "electronic" communications services and television, the Group's website, and the customer service function of the Group, could significantly disrupt the Group's business.

A flood, fire, other natural disaster, act of terrorism, power failure, cyber attack, computer virus or other catastrophe affecting a portion of the Group's network could have a material adverse impact on its business and its relations with customers. Measures with the aim of remedying such disasters, safety and security measures, or measures for protecting service continuity that have been undertaken or may be undertaken in the future by the Group, as well as the effects thereof on the performance of its network, could be insufficient to avoid losses. The Group is insured against operating losses up to a capped amount. Any disaster or other damage affecting the network of the Group could result in significant uninsured losses. The Group's network may be subjected to disruptions and to significant technological problems, and such difficulties could escalate over time. For example, although the Group's cable networks are generally built in resilient rings to ensure the continuity of network availability in the event of any damage to its underground fibers, if any ring is cut twice in different locations, transmission signals will not be able to pass through, which could cause significant damage to the Group's business. In the event of a power outage or other shortage, we do not have a back up or alternative supply source for all of the Group's network components. The occurrence of any such event could cause interruptions in service or reduce capacity for customers, either of which could reduce the Group's revenue or cause the Group to incur additional expenses. In addition, the occurrence of any such event may subject us to penalties and other sanctions imposed by regulators. Further, the Group may incur costs and revenue losses associated with the unauthorized use of the Group's networks, including administrative and capital costs associated with the unpaid use of the Group's networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

In addition, the Group's business depends on certain crucial systems, particularly its network operations center and its billing and customer service systems. In particular, the support for a large number of systems critical to the network of the Group is located at a relatively limited number of sites. While the Group has extensive backup systems, the risk that these systems may not be sufficient to handle a spike in activity cannot be ruled out, which could lead to a slowdown or unavailability of IT systems for a period of time and, when involving the B2B customers of the Group, to financial penalties. Moreover, we may incur legal penalties and reputational damages to the extent that any accident or security breach results in a loss of or damage to customers' data or applications or the inappropriate disclosure of confidential information.

Moreover, the technical projects of the Group that are in progress, involving both information systems and networks, and the plans for migrations planned in the short and medium terms for certain pieces of mobile network equipment, may generate an increased risk of failures of networks and information systems. In particular, the quality of the networks could be impacted by the deployment of the 4G network as well as by the concurrent work of renovating 2G and 3G networks, requiring, among other things, frequent technical interventions. Such work could also result in breakdowns or interruptions in services for the customers of the Group.

Furthermore, the development of the resources used by consumers (for example, videoconferencing, telepresence, and cloud computing for B2B customers), of the "Internet of Things", and of new terminals (smartphones, tablets, etc.) may generate risks of saturating the networks due to the large volumes of data that such resources generate or promote the use of.

The end-of-year period is an extremely sensitive sales period. A major failure of the information systems or of any component of the chain of production and logistics during that period would have negative consequences on revenues. To reduce the likelihood of this type of risk occurring, the Group avoids changes to the network and information systems during this period of the year (starting in mid-November until the end of the year), however, there can be no assurance that there will be no failure of the Group's network and information systems during the end-of-year period.

Should all or some of the risks described above materialize, this could have a material adverse effect on our business, financial condition and results of operations.

The Group's reputation and business could be materially harmed as a result of, and the Group could be held liable, including criminally liable, for, data loss, data theft, unauthorized access or successful hacking.

The Group's operations depend on the secure and reliable performance of its information technology systems as the nature of the Group's business involves the receipt and storage of information relating to the Group's customers and employees. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target and hardware, software or applications the Group develops or procures from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. The Group may be unable to anticipate these techniques or detect these defects, or to implement in a timely manner effective and efficient countermeasures.

If unauthorized third parties manage to gain access to any of the Group's information technology systems, or if such systems are brought down, unauthorized third parties may be able to misappropriate confidential information, cause interruptions in the Group's operations, access its services without paying, damage its computers or otherwise damage its reputation and business. While the Group continues to invest in measures to protect its networks, any such unauthorized access to the Group's cable television service could result in a loss of revenue, and any failure to respond to security breaches could result in consequences under the Group's agreements with content providers, all of which could have a material adverse effect on its business, financial condition and results of operations. Furthermore, as an electronic communications services provider, the Group may be held liable for the loss, release or inappropriate modification or storage conditions of customer or other data which are carried by the Group's network or stored on the Group's infrastructures. In such circumstances, the Group could be held liable or be subject to litigation, penalties (including the payment of damages and interest) or adverse publicity that could adversely affect its business, financial condition and results of operations.

The Group may be held liable for the content hosted on its respective infrastructures or transmitted by its networks.

In its capacity as an internet and/or mobile service provider and host, the Group could be held liable for claims due to the content hosted on its infrastructures or transmitted by its networks (specifically in connection with infringements in terms of press, invasion of privacy and breach of copyright) and thus face significant defense costs, even if its liability was ultimately not proven (since internet access providers and hosts are covered by a limited exemption from liability scheme). The existence of such claims could also harm the reputation of the Group.

The Group's business requires significant capital expenditures.

The Group's business demands significant capital expenditures. In particular, the Group incurs significant capital expenses for the deployment of new technologies such as 4G (for the purchase of frequencies and the deployment of network infrastructures) for its mobile operations and fiber optics (for the deployment of the fiber infrastructure) and for its fixed operations. Moreover, as spectrum auctions are infrequent and the Group may need additional spectrum in the future, it will likely participate in future spectrum auctions even though the Group might not, at the time of auction, require additional spectrum capacity. The Group's participation would require significant capital expenditures in the near term as acquiring spectrum is expensive, due in part to the fact that spectrum availability is limited.

Furthermore, new technologies and the use of multiple applications increase customers' bandwidth requirements could lead to a saturation of the networks and require telecommunications operators to make additional investments to increase the capacity of their infrastructures. The structure of the French telecommunications market does not allow telecommunications operators to pass along their investment costs to the end consumer in proportion to the volume of data consumed. Accordingly, telecommunications operators may not benefit from increased revenues from the growing demand for data and content even though they incur the costs of such demand through their investments in infrastructure.

The Group is also bound by certain obligations of access and/or coverage for its fiber/cable and/or mobile network, particularly under its mobile licences, such as obligations to allow roaming or sharing of networks in certain deployment zones. This requires the Group to make significant and frequent investments and the conditions for the implementation of these obligations including some prices (such as roaming rates) may be regulated within the EU. Given such constraints, the Group may not be able to operate its network under economically favorable conditions, which could affect the profitability of its investments.

It cannot be guaranteed that the Group will continue to have sufficient resources to maintain the quality of its network and of its other products and services, and to expand its network coverage, which are key elements for the growth of the Group over the long term. Unforeseen investment expenses, an inability to finance them at an acceptable cost or even an inability to make profitable investments could have a material adverse effect on the business of the Group, its outlook, financial position or results of operations.

The Group's long-lived assets may become impaired in the future, which could cause a non-cash charge to its earnings.

The valuations of certain of the Group's assets in connection with acquisitions have resulted in increases to the book value of long lived assets, including property, plant and equipment, and intangible assets. Amortizable long-lived assets must be reviewed for impairment whenever indicators of impairment exist. Non-amortizable long-lived assets are required to be reviewed for impairment on an annual basis or more frequently whenever indicators of impairment exist. Indicators of impairment could include, but are not limited to:

- an inability to perform at levels that were forecasted;
- a permanent decline in market capitalization;
- an implementation of restructuring plans;
- changes in industry trends; and/or
- unfavorable changes in our capital structure, cost of debt, interest rates or capital expenditure levels.

Situations such as these could result in an impairment that would require a material non-cash charge, which could have a material adverse effect on the Group's business, financial condition and results of operations.

A significant amount of the Group's book value consists of intangible assets that may not generate cash in the event of a voluntary or involuntary sale.

As of March 31, 2018, the Group reported approximately €29.8 billion of consolidated total assets, of which approximately €6.4 billion were intangible (excluding goodwill). Intangible assets primarily include customer relationships, trade names, franchises and patents, software and licences and other amortizable intangibles. While the Group believes that the carrying values of our intangible assets are recoverable, you should not assume that the Group would receive any cash from the voluntary or involuntary sale of these intangible assets, particularly if the Group were not continuing as an operating business.

The risks connected with the environment and exposure to telecommunications electromagnetic fields are subjects of public opinion concern.

The Group operates several facilities classified by the government as ICPEs (*installation classée pour la protection de l'environnement*) in mainland France, particularly its data centers. The Group remains attentive to environmental risks that might arise or be discovered in the future and it has adopted programs aimed at ensuring compliance with applicable environmental regulations. Environmental and health concerns are expressed in numerous countries and particularly arise in the context of the deployment of mobile technology regarding exposure to electromagnetic fields through telecommunications equipment, relay antennas and Wifi. A number of studies have been conducted to examine the health effects of mobile phone use and network sites, and some of these studies have been construed as indicating that radiation from mobile phone use causes adverse health effects. The World Health Organization has classified the radiofrequency of electromagnetic fields, linked particularly with the use of cordless phones, as "possibly carcinogenic to humans", but, to date, no adverse health effects have been established as being caused by mobile phone use.

The fears generated by the potential health risks connected with electromagnetic waves could also lead third parties to act against the Group by, for example, bringing actions demanding the withdrawal of antennas or towers, which could affect the Group's conduct of operations and the deployment of our network, and could have a material adverse effect on the Group's business, financial position and results of operations. Moreover, if it is ever determined that the abovementioned health risks existed or that there was a deviation from radiation standards which would result in a health risk from sites, other mobile technology or handsets, this would have a material adverse effect on the Group's business, operations and financial condition, including through exposure to potential liability.

Possible labor conflicts could disrupt the activities of the Group, affect its image or make the operation of its facilities more costly.

As of March 31, 2018, the Group had 13,468 employees, some of whom are union members. The Group may have to negotiate at length with unions and works councils, and may suffer strikes, labor conflicts, work stoppages and other labor action, and it may also encounter difficulties in attracting and keeping staff due to local or general strikes. Strikes and other labor action, as well as the negotiating of new collective bargaining agreements or wage negotiations, could disrupt the activities of the Group and have a material adverse effect on the Group's business, financial position and results of operations.

The Group is active in very competitive markets that are constantly evolving, thus requiring it to constantly adapt to, anticipate and adopt new operational practices and technologies to preserve its competitiveness and its efficiency. This entails regular changes in organizations, including workforce optimizations and other changes impacting human resources. This process demands an ability to mobilize skills and motivate and orient teams toward the objectives of the Group. As a result, in such instance the activities of the Group may sometimes be affected by a deterioration of the labor relations with its employees, staff representative bodies or labor unions.

In this context, certain Group subsidiaries have to consult their staff representative bodies, or will have to do so, in order to successfully execute its current and future projects, which is likely to slow down the performance of certain operations.

The Group also faces the risk of strikes called by employees of its main suppliers of equipment or services, as well as its facility providers, the latter generally organized in regional unions, which could lead to interruptions in the services of Group. The Group pays particular attention to its labor relations; however, the Group cannot guarantee that labor conflicts or difficulties in retaining its staff will not have a material adverse effect on its business and, potentially, its results of operations and its financial position.

The possible inability of the Group to protect its image, reputation and brand and intellectual property could have a material adverse effect on its business.

The brands under which the Group sells its products and services, including "SFR", "RED by SFR" and associated brands are well recognized brands in France. For a description of the Group's brands and offers, see "*Business of the Group—Description of the Group's Operations*".

These brands have been developed through extensive marketing campaigns, website promotions and customer referrals, and the use of a dedicated sales force and dealer networks. The Group's success depends on its ability to maintain and enhance the image and reputation of its existing products and services and to develop a favorable image and reputation for new products and services. The image and reputation of the Group's products and services may be adversely affected by several factors, including if concerns arise about (i) the quality, reliability and benefit/cost balance of its products and services, (ii) the quality of its support centers or (iii) its ability to deliver the level of service advertised. An event or series of events that threatens the reputation of one or more of the Group's brands, or one or more of the Group's products could have an adverse effect on the value of that brand or product and subsequent revenues therefrom. Restoring the image and reputation of the Group's products and services may be costly and not always possible.

The Group relies upon copyright, trademark and patent laws to establish and protect its intellectual property rights, but no assurance can be given that the actions they have taken or will take in the future will be adequate to prevent violation of our intellectual property rights. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of the Group's brand, which could lead to decreased consumer demand and have a material adverse effect on the Group's business, results of operations or financial condition and prospects.

The loss of certain employees and key executives could be detrimental to the business of the Group.

The Group benefits from the services of experienced employees, both administrative and operational, who have a thorough knowledge of its business, particularly the management team tasked with implementing the strategy of the Group. In addition, the B2B segment, which is characterized by complex installations and the importance of customer relations could be adversely affected by the loss of key employees. There can be no guarantee that the Group will succeed in keeping such employees or that it will recruit and train adequate replacements without excessive cost and delay. Consequently, the loss of any such key employees could lead to significant disruptions in the commercial activities of the Group which could have a material adverse effect on its results of operations. Moreover, the Group has undertaken a simplification of its organization and implemented certain operating synergies measures. This transformation plan involves numerous situations of internal mobility, which may result in employee dissatisfaction or loss of personnel. In addition, the Group has optimized its workforce and executed a voluntary retirement plan taken up by a significant number of employees. There can be no assurance that these measures will generate the expected efficiencies or benefits. As a result of these initiatives, there can be no guarantee that the Group will not experience employee dissatisfaction or personnel loss in the future, which could adversely affect our results of operations.

The Group's employees may engage in misconduct or other improper activities, which could harm the Group's business.

The Group is exposed to instances of employee fraud, including, but not limited to, payroll fraud, falsification of expense claims, thefts of cash, assets or intellectual property, false accounting and other misconduct. Individual employees may also act against the Group's instructions and either inadvertently or deliberately violate applicable law, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients, or the Group's internal policies. In addition, because the Group delegates a number of operational responsibilities to its subsidiaries and the Group's local managers retain substantial autonomy regarding the management of the Group's operations in their markets, the Group may face an increased likelihood of the risks described above occurring.

The Group is exposed to risks of consumer fraud.

As a telecommunications operator, the Group is exposed to risks of fraud in its various activities. These risks are linked in particular with fraudulent subscriptions and orders for the purchase of subsidized terminals and telephone lines. Furthermore, the change in the usage of mobile telephony services and applications against a backdrop of the marketing of new offers, as well as the development of new means of payment, could encourage fraud. The occurrence of such fraudulent activity could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to risk or litigation in the event of defective software or a claim by a third party as to software ownership.

In contrast to more traditional licences of standard (so-called "proprietary") software, users of open source software ("OSS") are generally permitted by the licensor to access, copy, modify and distribute the underlying source code. Such broad rights (such as in the GNU General Public Licence) are usually subject to the requirement that users not place any additional restrictions on access to the source code in any onward distribution of the software, and that such onward licensing be on the original licence terms.

OSS is commonly viewed as having two major risks. First, the OSS licence usually also covers onward distributions of derivative works (based on the original OSS), with the result that proprietary software integrated with the OSS becomes "infected" and the entire integrated software program (OSS and proprietary software components) is covered by the OSS licence. One notable result of this is that the publisher or distributor of the derivative work would have to make available the source code of the entire work, including the proprietary software portions. The second commonly viewed risk is that OSS software is usually licenced "as is" without any contractual warranties.

As a result, the Group would bear the risks in the event of defects with any OSS that the Group utilizes in its products and services without necessarily having any contractual recourse. Further, if the Group integrates OSS into any of the software that it publishes or distributes, then the use by the Group of OSS could have an impact on the ownership of the intellectual property in such software, particularly in terms of exclusivity, as the refusal to disclose any modifications made could be characterized as an infringement of the OSS licence. Moreover, the Group cannot rule out any risk of a request for disclosure or the request by a third party to access the modifications of the source code performed on such software. This situation could have a material adverse effect on the Group's business, financial position, results of operations or outlook.

The Group may be subject to intellectual property infringement claims by "patent trolls".

The Group may be the target of so-called "patent trolls" (also referred to as "non-practicing entities"), which have as their core business the acquisition of patents and licences, without actively producing goods or providing services, and commonly litigate alleging that such patents or licences have been infringed. The Group cannot exclude the possibility of risk from contentious claims from patent trolls, which could have a material adverse effect on the Group's business activities, financial condition and results of operation.

The liquidity and value of our interests in certain of our subsidiaries and our ability to take certain corporate actions may be adversely affected by shareholder agreements and other similar agreements to which we are a party.

Certain of our operations (including, for example, SFR TowerCo following the consummation of the Towers Transaction), are conducted through subsidiaries in which third parties hold a minority equity interest or with respect to which we have provided third parties with rights to acquire minority equity interests in the future. Our equity interests in such subsidiaries are subject to shareholder agreements, partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. Most of these agreements subject the transfer of equity interests to consent rights, pre-emption rights or rights of first refusal of the other shareholders or partners. All of these provisions will restrict the ability to sell those equity interests and may adversely affect the prices at which those interests may be sold. In addition, the present or potential future shareholders in our subsidiaries have the ability to block certain transactions or decisions that we would otherwise undertake. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could have an adverse effect on our business, financial condition and results of operations.

Risks Relating to the Group's Financial Profile

The Group's significant leverage may make it difficult for us to service our debt, including the Notes, and operate our business.

The Group currently has a substantial amount of debt. As of March 31, 2018, the total amount of financial liabilities (excluding certain long term and short term liabilities and without giving effect to the impact of derivative instruments) of the Group amounted to €16,821 million (equivalent), after giving effect to the Refinancing Transactions and the acquisitions of the FOT Business, Altice Customer Services and Altice Technical Services France. See "*Capitalization*". The Group's significant indebtedness could have important consequences, making it more difficult for the Group to satisfy its obligations under the Notes, including:

- requiring the Group to devote a significant portion of its cash flow deriving from its operations to the repayment of its debt, thus reducing the availability of the Group's cash flows for financing internal growth using working capital and investments and for other general business requirements;
- impeding the Group's ability to compete with other providers of pay-TV, broadband internet services, fixed line telephony services, mobile services and B2B services in the regions in which it operates;
- restricting the Group from exploiting business opportunities or making acquisitions or investments;
- increasing the vulnerability of the Group to a business slowdown or to economic or industrial circumstances;
- limiting the Group's flexibility in planning for or reacting to changes in its business and its sector;
- adversely affecting public perception of the Group and its brands;
- limiting the ability of the Group to make investments in its growth, especially those aimed at modernizing its network; and
- in particular, limiting the Group's ability to borrow additional funds in the future and to increase the costs of such additional financing, especially due to restrictive clauses in our current debt agreements.

These risks could have a material adverse effect on the ability of the Group to satisfy its debt obligations, including its obligations under the Notes, as well as on its business, results of operations and financial position.

The Group may not be able to generate sufficient cash flows to service its debt.

The ability of the Group to service its debt and to finance its operations in progress will depend on its ability to generate cash flows. The ability of the Group to generate cash flows and finance its capital expenditures, current operations, and debt service obligations depends on numerous factors, including:

- its future operating performance;
- the demand and price levels for its current and projected products and services;
- its ability to maintain the level of technical capacity required on its networks and the subscriber equipment and other pertinent equipment connected to the Group's networks;
- its ability to successfully introduce new products and services;
- its ability to reduce the churn rate;
- the general economic conditions and other circumstances affecting consumer spending;
- competition;
- sufficient distributable reserves, in accordance with applicable law;
- the outcome of certain disputes in which it is involved; and
- legal, tax and regulatory developments affecting the Group's business.

Some of these factors are beyond the control of the Group. If the Group is not able to generate sufficient cash flows it might not be able to repay its debt, expand its business, respond to competitive challenges, or finance its other cash and capital requirements, including capital expenditures. If the Group is not able to meet its debt service obligations, it might have to sell off assets, attempt to restructure or refinance its existing debt or seek additional financing in the form of debt or equity. The Group may not be able to do so in a satisfactory manner or at all.

A substantial amount of the Group's indebtedness will mature before the Notes, and the Group may not be able to repay this indebtedness or refinance this indebtedness at maturity on favorable terms, or at all.

Of the €16,821 million (equivalent) of total borrowings the Group would have had outstanding as of March 31, 2018 (excluding certain long term and short term liabilities and without giving effect to the impact of derivative instruments), as adjusted to give effect to the Refinancing Transactions, the offering of the Notes and the application of the proceeds thereof, as well as the acquisitions of the FOT Business, Altice Customer Services and Altice Technical Services France, it is expected that all of the Group's borrowings under the Existing Term Loans, all of the Group's borrowings outstanding under the Existing Revolving Credit Facilities and the entire aggregate principal amount of Existing Notes will mature prior to the maturity dates of the Notes. See "*Capitalization*".

The Group's ability to refinance its indebtedness, on favorable terms, or at all, will depend in part on its financial condition at the time of any contemplated refinancing. Any refinancing of the Group's indebtedness could be at higher interest rates than its current debt and it may be required to comply with more onerous financial and other covenants, which could further restrict the Group's business operations and may have a material adverse effect on its business, financial condition, results of operations and prospects and the value of the Notes. The Group cannot assure you that it will be able to refinance its indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of its debt or otherwise, it may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, or seek to raise additional capital.

The Group is exposed to interest rate risks. Shifts in such rates may adversely affect its debt service obligations.

The Group is exposed to the risk of fluctuations in interest rates, primarily under the Existing Term Loans. In addition, any amounts the Group borrows under the Existing Revolving Credit Facilities will bear interest at a floating rate. An increase in the interest rates on the Group's debt will reduce the funds available to repay its debt and to finance its operations, capital expenditures and future business opportunities. The Group enters into various derivative transactions to manage exposure to movements in interest rates; however, there can be no assurance that it will be able to continue to do so at a reasonable cost. There can be no guarantee that the Group's hedging strategies will adequately protect the Group from the effects of interest rate fluctuation, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in interest rates.

Following allegations of manipulation of LIBOR, regulators and law enforcement agencies from a number of governments and the EU are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including, but not limited to, the Existing Revolving Credit Facilities and/or the Existing Term Loans having interest rates that are linked to LIBOR or EURIBOR, as applicable). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on the Group's ability to service debt that bears interest at floating rates of interest.

Exchange rate fluctuations could adversely affect the Group's financial results.

The Group's businesses are exposed to fluctuations in currency exchange rates. The Group's transactional currency is euros, however, a large part of the Group's financing activity is conducted in currencies other than such primary transactional currency, particularly the US dollar. The Group seeks to manage such transactional foreign currency exposures through its hedging policy in accordance with its specific business needs. There can be no guarantee that the Group's hedging strategies will adequately protect the Group from the effects of exchange rate fluctuation, or that these hedges will not limit any benefit that we might otherwise receive from favorable movements in exchange rates.

Restrictive covenants in the Indenture, the Existing Notes Indentures, the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement may restrict the Group's ability to operate its business. The Group's failure to comply with these covenants, including as a result of events beyond the Group's control, could result in an event of default that could materially and adversely affect its business, results of operations and financial condition.

The terms of the Indenture, the Existing Notes Indentures, the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement contain a number of significant covenants or other provisions that could have a material adverse effect on the Group's ability to operate its business. Subject to certain exceptions, these covenants restrict the Group's ability to, among other things:

- incur or guarantee any additional debt;

- make certain investments or acquisitions (including in joint ventures);

- dispose of assets other than in the normal course of business;
- enter into certain transactions with its affiliates;
- carry out merger or consolidation transactions;
- repurchase or redeem equity securities or subordinated debt, or issue shares in subsidiaries;
- enter into agreements limiting the ability of its subsidiaries to pay it dividends or repay intragroup loans and advances; and
- create additional pledges or security interests.

All of these limitations are subject to certain exceptions and qualifications, including those on the ability to pay dividends and make investments.

However, the restrictions referred to above could affect the ability of the Group to operate its business, react according to market conditions, or to take advantage of potential commercial opportunities that may arise. For example, these restrictions could affect the ability of the Group to finance its business, to make strategic acquisitions, investments or alliances, and to restructure its organization or finance its capital requirements. Moreover, the ability of the Group to comply with these restrictive clauses can be affected by events beyond its control, such as economic conditions and the circumstances in finance and the industry. A breach by the Group of any one of its commitments or restrictions could lead to default under the terms of one or more of its debt securities and could trigger acceleration of such debt, which in turn could trigger defaults under the Group's other debt agreements. A default under any of the agreements governing the Group's other debt could materially adversely affect the Group's growth, financial condition and results of operations.

Despite the Group's high level of indebtedness, the Group and its subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

The terms of the Indenture, the Existing Notes Indentures, the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement restrict, but do not prohibit, the Group from incurring additional debt. The Group may refinance its debt, and it may increase its consolidated debt for various business reasons which might include, among other things, financing acquisitions, funding the prepayment premiums, if any, on debt it refinances, funding distributions to its shareholders or for general corporate purposes. If new debt is added to the Group's consolidated debt described above, the related risks that the Group now faces will intensify.

Negative changes in the Group's rating could have a material adverse impact on its financial position.

A rating decline could have an adverse impact on the ability of the Group to obtain financing from financial institutions and to retain the confidence of investors and banks, and could increase the cost of financing of the Group by increasing the interest rates at which the Group could be refinanced in the future or the interest rates at which the Group is able to refinance its existing debt or take on new debt. In October 2015, the Group was downgraded by Moody's from Ba3 to B1. As of the date of the Offering Memorandum, the Group's corporate rating with Moody's remains at B1. There can be no assurance that the Group's corporate rating, or the instrument rating with respect to the Notes, will be maintained at existing levels. See "*Risks Relating to the Notes and the Structure—Credit ratings may not reflect all risks*".

Disruptions in the credit and equity markets could increase the risk of default by the counterparties to its financial instruments, undrawn debt facilities and cash investments and may impact the Group's future financial position.

The Group seeks to manage the credit risks associated with its financial instruments, cash and cash equivalents and undrawn debt facilities; nonetheless, disruptions in credit and equity markets could increase the risk that the Group's counterparties could default on their obligations to us. Were one or more of the Group's counterparties to fail or otherwise be unable to meet its obligations to it, the Group's cash flows, results of operations and financial condition could be adversely affected. It is not possible to predict how disruptions in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. In this regard, (i) the financial failures of any of the Group's counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact the Group’s ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact the Group’s ability to access debt financing on favorable terms, or at all.

Changes in financial accounting standards may cause unexpected revenue fluctuations and affect the Group’s reported results of operations.

The preparation of the Group’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by the Group’s management to be reasonable under the circumstances and at the time. These estimates and assumptions form the basis of judgments about the carrying values of assets and liabilities that are not readily available from other sources. Areas requiring more complex judgments may shift over time based on changes to business mix and industry practice which could affect the Group’s reported amounts of assets, liabilities, income and expenses. In addition, management’s judgments, estimates and assumptions and the reported amounts of assets, liabilities, income and expenses may be affected by changes in accounting policy.

In May 2014, the International Accounting Standards Board (“IASB”) issued IFRS 15, which establishes a single comprehensive five-step model to account for revenue arising from contracts with customers. IFRS 15 superseded all current revenue recognition guidance when it became effective for annual periods on January 1, 2018. The Group was required to retrospectively apply IFRS 15 to all contracts that were not complete on the date of initial application and had the option to either (i) 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 or (ii) 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. The Group has decided to adopt IFRS 15 based on the full retrospective approach. The application of IFRS 15 has, in particular, impacted the measurement and presentation of certain revenue items. The most significant impact is in the Group’s mobile segments as some arrangements include multiple elements that are being bundled, namely, a handset component sold at a discounted price and a communication service component. In applying 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 applicable contract. For details regarding the Group’s adoption of IFRS 15 and its impact on its revenue recognition, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Group—Key Income Statement Items—Impact of IFRS 15 on Revenue Recognition*” and Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three months ended March 31, 2018.

In January 2016, the IASB issued a new standard coming into effect on January 13, 2019, IFRS 16 “Leases,” which will supersede the current standard (IAS 17) and its current interpretations. 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 sufficiently low value. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The Issuer has the option to (i) apply IFRS 16 with full retrospective effect or (ii) 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. IFRS 16 may have a significant impact on our consolidated statement of financial position due to the recognition of rights of use related to leased assets and corresponding lease liabilities. Moreover, the Issuer expects that its consolidated statement of profit or loss may be impacted as operating lease fees will no longer comprise a part of operating expenses, but instead will fall under depreciation and interest expenses. The Issuer’s consolidated statement of cash flows may also be impacted given that payment for lease liabilities will be presented within financial activities. The effects of IFRS 16 are being analyzed as a part of a Group-wide project for implementing new standards and could have a material impact on our consolidated financial statements.

In July 2014, the IASB issued a new standard which has been effective since January 1, 2018. IFRS 9 “Financial Instruments,” superseded the current standard (IAS 39) and its current interpretations. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting regarding financial instruments. The Issuer has implemented the standard based on the simplified retrospective approach. The application of IFRS 9 could have material impacts on the Group's statement of income, at least in part due to its impact on the effective interest rate of future debt issuances, which might not accurately reflect the actual economic conditions of such debt. For further details regarding the Issuer's adoption of IFRS 9 and its impact on the Issuer's financial results, see Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three months ended March 31, 2018.

For further details on new accounting standards that may have a significant impact on our consolidated financial statements, see Note 1.2 to the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2017, an English translation of which is included in these Listing Particulars, and Note 1.3 to the unaudited condensed consolidated financial statements of the Issuer as of and for the three months ended March 31, 2018 included in these Listing Particulars.

Regulatory and Legal Risks

Future regulatory changes could have a material adverse effect on the Group's business.

The Group's business is subject to significant regulation and to oversight by various regulatory bodies at national and European levels. See "*Regulation*". Such regulation and oversight have a strong influence on the manner in which the Group conducts its activities. Adherence to the laws and regulations in force, and those that become applicable to the Group in the future, may increase the overhead and operating expenses of the Group, limit its ability to implement price increases, affect its ability to launch new services, force it to change its marketing approach and its sales practices and/or more generally reduce or limit its revenue.

The Group is in particular subject to the provisions of the French Postal and Electronic Communications Code ("CPCE"), which imposes certain general obligations on all operators and certain specific obligations on mobile operators.

The French regulatory framework applicable to operators is also subject to the analysis of the relevant markets carried out by the French telecom regulator ("ARCEP") which is charged with (i) defining the relevant markets in France, (ii) analyzing the markets or identifying the companies reputed for exercising significant influence on these markets and (iii) deciding whether or not to impose on these companies regulatory obligations to remedy the effects of such influence.

The Group is not considered by ARCEP to be an operator deemed to have significant influence over a relevant market, except over the markets for voice-call termination on its fixed and mobile networks. Nevertheless, it cannot be guaranteed that the Group, in the future, will not be identified by ARCEP as an operator deemed to exercise significant power in one or more relevant markets, and that ARCEP will not therefore impose additional regulatory obligations in this regard. For example, the possibility cannot be excluded that, in the future, particularly in the context of a growth in FTTH networks, the Group may be required to grant competitors some access to its network (fiber optic, cable or mobile), under conditions to be determined.

The Group is also subject to other individual obligations resulting from the approvals to use frequencies. See "*—The Group might not be able to obtain, retain or renew the licences and authorizations necessary for performance of its activities*."

In September 2017 the Government asked ARCEP to begin work on the binding commitments that mobile operators were likely to make, above and beyond their existing rollout plans.

Based on ARCEP's proposals, and as part of a dialogue with mobile network operators, the French Government reached an agreement that aims to ensure the availability of a high standard of mobile coverage for every person in France.

With respect to these elements, mobile operators have committed to:

- improving reception quality across the entire country, and particularly in rural areas. The new baseline quality standard applied to operators' obligations will be that of "good coverage";
- increasing the pace of targeted programmes for improving coverage, with each operator deploying at least 5,000 new cell sites across the country to this end, some of which will be shared, which will henceforth go

beyond so-called "white areas" and for which operators will now be fully responsible. Over the next three years, we will bring coverage to as many areas as the total number covered by government programmes over the past fifteen years. Government authorities will work closely with local authorities to identify the areas that need to be covered;

- achieving ubiquitous 4G coverage, which will mean bringing it to more than a million additional people in 10,000 municipalities in France, by making every cell site 4G-capable;
- accelerating the coverage of transportation routes, so that all of the major roads and railways have 4G coverage. The agreement also provides for coverage on regional railway lines; and
- achieving ubiquitous indoor telephone coverage, notably by using voice over Wi-Fi.

Facilitated by an increase of network sharing which ensures more efficient rollouts, along with a planned simplification of the measures contained in the new housing bill, stepping up the pace of deployment for new mobile phone equipment will significantly improve the user experience of mobile coverage in every part of the country.

These new obligations will be written into mobile operator's frequency licences in July 2018. They will be binding, and a failure to meet them could result in sanctions from ARCEP.

The Group monitors the regulations to which it is subject; however, the weight of the regulatory burden on "electronic" telecommunications operators, including the Group, may change and may lead to the application of different obligations in their regard depending on the level of ownership of direct access networks and the level of market power that may be more or less significant to or constrictive upon certain operators by virtue of changes in the technology used for providing services. If the Group becomes subject to regulations relatively more constrictive than its competitors, this could have a material adverse effect on its business, results of operations or financial position.

Furthermore, as an "electronic" telecommunications operator and a distributor of television services, the Group is subject to special taxes. The burden of such taxes could increase in the future due to changes in legislation. In addition, the Group cannot guarantee that additional taxes will not be instituted in the telecommunications industry.

Any future restrictions on the Group's ability to market its products or services in the way it wishes could have a material adverse effect on its business, results of operations or financial position.

The European Commission's "Digital Single Market" legislation could adversely affect the Group's business.

The EU Regulation 531/2012, which initially set a rate for roaming, was further amended through the regulation 2015/2120 of 25/11/2015 to establish the conditions and the viability of a removal of retail roaming charges from June 15, 2017 ("roam like at home" subject to fair-usage). Moreover, the regulation introduces measures relating to "net neutrality".

Furthermore, the roaming regulation was completed by other pieces of legislation:

- Implementing regulation EU 2016/2286 of 15/12/2016 laying down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purposes of that assessment; and
- Regulation UE 2017/920 of 17/05/2017 amending Regulation (EU) No 531/2012 with respect to rules for wholesale roaming markets.

The Commission's proposals on telecommunications markets presented in September 2016 intends to fix rules to support the creation of Gigabit Society. The electronic communications code proposal aims to make investment in very high capacity networks a binding objective and it also aims to promote sustainable long term competition. The Code that is expected to be adopted by end of 2018 (the last trilogue between Commission-Parliament and Council took place on June 5, 2018) sets the rules regarding spectrum, access and end-user rights.

This legislation is expected to have a both positive and adverse effect on revenue generated from the Group's operations due to anticipated price decreases, higher operational costs and increased competition. All of these factors may adversely affect the Group's business, financial condition and results of operations.

The legal status of the Group's network is complex and in certain cases subject to challenges or renewals.

The legal status of the Group's network is complex and the network is mainly governed by public law, which could affect the predictability of the Group's rights over its network. For a description of the legal status of the Group's cable network see "*Regulation— Legal Status of Networks*".

The Group's telecommunications network is essentially composed of the physical infrastructure (conduits, network head-ends, switches and radio frequency stations) in which telecommunications (mainly cable) equipment is installed. These components of the Group's network are subject to different legal regimes. As the Group does not own certain land where such physical infrastructures are located and infrastructure is established on public or private property, it has entered into concessions, rights-of-way, leases or even indefeasible rights of use ("IRUs") with the owners of the land. In order to establish a substantial part of its telecommunications network and of its wireless network, the Group has thus entered into public and private property occupancy agreements with public and private entities or holds public property occupancy permits. Under these agreements or permits, the Group may install its network equipment along roads, highways, railways or canals, for example. No transfer of ownership takes place within this framework.

Such agreements are entered into for terms that vary greatly, from three to 25 years. The Group does not have any right to renewal of such agreements, although the agreements with the shortest terms generally provide for tacit renewal. The Group's occupancy of public property, as is the case for all occupants of public property, is always precarious and subject to considerations beyond the Group's control. The public entities with which the Group has entered into these agreements or that have issued permits to it can thus at any time terminate these public property occupancy agreements for misconduct or for reasons of public interest and some of the agreements even exclude any compensation in such case.

If the Group fails to obtain such renewal, the company involved would be obliged, upon expiration of these agreements, (i) to return the site to its original condition upon the demand of the manager or owner of the public property involved (ii) and/or to transfer to the latter, in certain cases for the payment of compensation and in certain cases free of charge, ownership of the facilities established on the property involved.

If the Group loses all or part of the rights relating to its network, it could have a material adverse effect on the business, financial position, results of operations or outlook of the Group.

The Group faces risks arising from the outcome of various legal, administrative and regulatory proceedings.

In the ordinary course of business, the Group becomes party to litigation and other legal proceedings, including administrative and regulatory proceedings, and may be subjected to investigations and audits. Some of the proceedings against the Group may involve claims for considerable amounts and may require that the general management of the Group devote time to addressing such issues, to the detriment of managing the Group. Such proceedings may result in substantial damages and/or may impair the reputation of the Group, which may result in a decline in the demand for the services of the Group, which could have a material adverse effect on its business. The outcome of these proceedings and claims could have a material adverse effect on its financial position, its results of operations or its cash flows during the years when such disputes are decided or the sums potentially involved in them are paid. The Group may also be exposed to proceedings that could involve its independent distributor partners, as well as other telecommunications operators are so exposed.

The Group is currently involved in certain significant disputes and proceedings referred to in "*Business of the Group— Legal Proceedings*". Any increase in the frequency or size of such claims could have a material adverse effect on the profitability and cash flows of the Group and could have a material adverse effect on its business, results of operations and financial position.

Tax disputes and audits, adverse decisions by tax authorities or changes in tax treaties, laws, regulations or the interpretations thereof could have a material adverse effect on the results of operations and cash flows of the Group.

The Group has structured its commercial and financial activities in compliance with various regulatory obligations to which it is subject, as well as in line with its commercial and financial objectives. To the extent that the laws and regulations of the various countries in which the Group or the Group's companies are located or operate do not establish clear or definitive positions, the tax treatment applied to its activities or its intra-group reorganizations is sometimes based on interpretations of French or foreign tax regulations. The Group cannot guarantee that such interpretations will not be called into question by the competent tax administrations, which could have a material adverse effect on the financial position or results of operations of the Group. More generally, any breach of the tax regulations and laws of the countries in which the Group or the Group's companies are located or operate could result in adjustments or the payment of late fees, fines or penalties. In addition, tax laws and regulations could change and could be subjected to changes in their interpretation and in the application thereof. In particular, in the current macroeconomic environment, governmental authorities could decide to increase tax rates, to eliminate existing tax exemptions, to expand tax bases, or to introduce new taxes. As a result, the Group could undergo an increase in its tax burden if tax rates rise or if legislation or the interpretation thereof by the administration changes.

Any change in local or international tax rules, for example prompted by the implementation of the OECD's recommendations on Base Erosion and Profits Shifting (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax authorities, may have an adverse effect on the Group's tax status and its financial results.

The Group's revenues from its fixed and mobile services has recently been impacted and will continue to be impacted by the loss of favorable VAT treatment on telecom/press bundles. The Group is exposed to the risk of a further increase in the VAT and might not be able to pass along such increase, in full or in part, through subscription prices, and this would then have a negative impact on ARPU. Furthermore, any partial or total passing along of a possible increase would expose the Group to a risk of an increased churn rate on the part of its subscribers and could limit the recruitment of new subscribers. Such a development would be likely to have a material adverse effect on the business, financial position, results of operations or outlook of the Group.

The Group is subject to a number of sectorial taxes, including the tax on "electronic" communication operators, referred to in Article 302 bis KH of the General Tax Code and the tax on television services referred to in Article L116-5 of the CCIA.

French tax rules could limit the ability of the Group to deduct interest for tax purposes, which would be likely to reduce the net cash position of the Group.

Article 209 § IX of the French Tax Code (*Code général des impôts*) ("FTC") imposes restrictions on the deductibility of interest expenses incurred by a French company if such company has acquired shares of another company qualifying as "*titres de participation*" within the meaning of Article 219 § I a quinquies of the FTC and if such acquiring company cannot demonstrate, with respect to the years running over the twelve-month period from the acquisition of the shares (or with respect to the first year commencing after January 1, 2012 for shares acquired during a year that commences prior to such date), that (i) the decisions relating to such acquired shares are actually taken by the company having acquired them (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code (*Code de commerce*), that is, in each case, located in France or in a Member State of the European Union or in a State of the European Economic Area which has concluded with France a convention on administrative assistance to combat tax evasion and avoidance) and (ii) where control or an influence is exercised over the acquired company, such control or influence is exercised by the acquiring company (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code, that is, in each case, located in France or in a Member State of the European Union or in a State of the European Economic Area which has concluded with France a convention on administrative assistance to combat tax evasion and avoidance).

Pursuant to Article 212 I (b) of the FTC, the deductibility of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC is subject to a specific requirement: if the lender is a related party to the French borrower, the latter shall demonstrate, at the French tax authorities' request, that the lender is, for the current year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related-party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes, a collective investment scheme referred to in Articles L. 214-1 to L. 214-191 of the French Monetary Code (*Code monétaire et financier*) (which includes UCITSs and AIFs as well as other collective investment schemes such as SICAVs and SPPICAVs with a single shareholder) or, subject to certain conditions, similar entities organized under foreign law.

Under current French thin capitalization rules set forth by Article 212-II of the FTC, the deduction of interest paid to a related party within the meaning of Article 39.12 of the FTC or on loans granted by a third party that are guaranteed by a related party (a third party assimilated to a related party) may be subject to certain limitations. Notably, deduction for interest paid on such loans may be partially disallowed in the financial year during which they are accrued if such interest simultaneously exceeds each of the following: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity and (b) the average amount of indebtedness owed to related parties (or to third parties assimilated to related parties) over the relevant year; (ii) 25% of the company's earnings before tax and extraordinary items (as adjusted for the purpose of these limitations) and (iii) the amount of interest received by the indebted company from related parties. Deduction may be disallowed for the portion of interest that exceeds in a relevant year the highest of the above three limitations if such portion of interest exceeds €150,000, unless the company is able to demonstrate for the relevant year that the consolidated indebtedness ratio of the group to which it belongs is higher or equal to its own indebtedness ratio. Specific rules apply to companies that belong to French tax-consolidated groups.

The Notes issued by the Issuer will be guaranteed by related parties (i.e., the Guarantors) and as such may be treated as a related party debt for French thin capitalization purposes. The Notes may fall into the scope of the above-mentioned French thin capitalization rules and, therefore the deductibility of interest accrued under the Notes could be limited based on these rules.

Pursuant to Article 223 B of the FTC (generally referred to as the "Amendement Charasse"), when the shares of one company are transferred against payment to a company controlled directly or indirectly by the seller (or placed under common control with the seller), and the transferred company and the acquiring company become members of the same tax-consolidated group, a fraction of the interest paid annually by the tax group is considered as non-deductible and is therefore added back to the tax-consolidated income. This add-back of financial costs is applicable over a maximum period of 9 years.

If the limitation applies, the amount to be added back for each FY is decomposed as follows:

$$\text{Financial charges for all the Group's companies} = \frac{\text{Purchase price of the shares}}{\text{Average amount of the Group's debts}}$$

This limitation deprived the Group of the ability to deduct financial charges of approximately €4 million in 2017.

Moreover, Article 212 bis of the FTC aims to generally limit the deductibility of net financial charges, which are defined as the portion of financial charges exceeding financial income, accrued by companies that are subject to French corporate income tax. Pursuant to this Article and subject to certain exceptions, adjusted net financial charges incurred by French companies that are subject to French corporate income tax and are not members of a French tax group are deductible from their taxable result only up to 75% of their amount, to the extent that such companies' net financial charges are at least equal to €3.0 million in a given year. Under Article 223 B bis of the FTC, special rules apply to companies that belong to French tax-consolidated groups. The 75% limitation applies to the adjusted aggregate net financial charges incurred by companies that are members of the French tax-consolidated group with respect to amounts made available by lenders outside such group, to the extent that the companies' consolidated net financial charges are at least equal to €3.0 million in a given year.

This limitation deprived the Group of the ability to deduct approximately €156 million in 2015, €232 million in 2016 and €248 million in 2017 (on the basis of the rules in force and the information available as of the date of the Offering Memorandum).

The above mentioned tax rules may limit the Group's ability to deduct interest accrued on the Group's indebtedness incurred in France and, as a consequence, may increase the Group's tax burden, which could adversely affect the Group's business, results of operations and financial condition and reduce the cash flow available to service the Group's indebtedness.

Eventually, French restrictions on financial charges deduction are expected to be partially amended at the latest by January 1, 2024 pursuant to the EU Anti-Tax Avoidance Directive EU/2016/1164 of 12 July 2016 ("ATAD Directive") providing, among other things, for a limitation of deductibility of net interest expenses in respect of a given FY to an amount of 30% of the taxpayer's earnings before interest, tax, depreciation and amortization excluding tax-exempt income (adjusted EBITDA) without distinction between third-party debts and related-party debts, it being noted that net financial expenses may in any case be deductible, without application of this cap, up to a maximum amount of €3.0 million in a given fiscal year.

The set of rules provided by the ATAD Directive may have to be implemented into French law in principle before December 31, 2018, in order to be effectively applied as from January 1, 2019. However, and by way of derogation, Member States which had, as of August 8, 2016, domestic rules designed to prevent base erosion risks as efficient as the rules resulting from the ATAD Directive may be authorized to apply their domestic provisions until the end of the first full FY following the publication of a specific agreement between the OECD members regarding a minimum standard with regard to BEPS Action 4, but no later than January 1, 2024.

A Member State seeking to benefit from this derogation had to communicate to the European Commission, no later than July 1, 2017, all information necessary for the European Commission to assess the equivalence of the domestic rules and the provisions of the Directive. France communicated to the European Commission such elements in order to benefit from this derogation. Should the EU Commission validate the French State's position, the implementation of the limitations set out in Article 4 of the Directive could be deferred by several years (in any case, no later than January 1, 2024).

Finally, on February 22, 2017, the Council of the European Union adopted the EU Directive EU/2017/952 of May 29, 2017, ("ATAD 2 Directive"), amending the ATAD Directive, which, inter alia, extends the scope of the ATAD Directive to hybrid mismatches involving third countries, which would be applicable as from January 1, 2020, except for certain of its provisions which would be applicable as from January 1, 2022.

In the absence of more detail regarding the exact modalities according to which the ATAD Directive and the ATAD 2 Directive would be implemented under French tax law, it is at this stage difficult to anticipate the exact consequences of these new rules on the limitations currently provided by the FTC and, as a consequence, on the future French corporate income tax burden of the Group.

The future results of operations of the Group, French tax rules, tax audits or litigation and possible intra-group reorganizations could limit the ability of the Group to make use of its tax losses and could thus reduce its net cash position.

The Group has significant tax losses available (described in Note 12 to the English language translations of the Issuer's audited consolidated financial statements as of and for the year ended December 31, 2017 included elsewhere in these Listing Particulars).

The ability to effectively make use of such losses will depend on a combination of factors, including (i) the ability to earn tax profits and the degree of matching between the level of such profits realized and the level of the losses, (ii) the general limitation under the terms of which the percentage of tax losses that can be carried forward and used to offset the portion of taxable profit exceeding €1 million at 50% as well as certain more specific restrictions on the use of certain categories of losses, (iii) the consequences of present or future tax disputes or audits, and (iv) possible changes in applicable laws and regulations.

The impact of these factors could increase the tax burden upon the Group and thus have an adverse effect on its cash position, the effective tax rate, the financial position and the results of operations of the Group.

The introduction into French law of a class action open to consumer protection associations could increase the exposure of the Group to material litigation.

As of October 1, 2014, French law allows consumers to join a class action brought by a consumer protection association in order to obtain compensation for property damage suffered by virtue of the activity of consumption. Considering the B2C activities of the Group, in the event of a challenge by consumers pertaining to the products or services offered by the Group, the Group could be faced, as could all operators in the industry, with possible class actions joining numerous customers desiring to obtain compensation for possible harm. Under such circumstance, if damages or prohibited practices are proven or even merely alleged the Group could face significant amounts in claims. Moreover, such actions could undermine the reputation of the Group. See "*Business—Civil and Commercial Disputes—Consumer Disputes—Familles Rurales v. SFR*".

The Group is subject to requirements in terms of protection of personal data and data security.

Within the context of its business activities, the Group must collect and process personal data. In the EU, the European Parliament and the European Council adopted the Regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, the "GDPR") on April 27, 2016. The GDPR has been directly applicable in all EU member states since May 25, 2018, replacing Directive 95/46/EC and current national data protection legislation in member states, and has been implemented in the EEA countries with effect from the same date. The GDPR significantly changes the EU/EEA data protection landscape, including strengthening of individuals' rights, stricter requirements on companies processing personal data and stricter sanctions with substantial administrative fines. The GDPR also offers data subjects the option to let a privacy organization litigate on their behalf, including collecting the potential damages.

In addition, the French Data Protection Law of January 6, 1978 (Law n° 78-17), as modified by Law n°2018-493 of June 20, 2018 to be adapted to the GDPR, imposes obligations on companies processing personal data which are established in France or which use processing activities located in France concerning the conditions in which such a company may process personal data of individuals, the obtaining of their consent with respect to such processing (especially for the use of cookies) and carrying out the necessary formalities for disclosure and transfer of data outside of the EU. Any breach of these obligations may lead to criminal and administrative financial penalties against the Group and damage to its reputation. The French Data Protection Law also requires that providers of "electronic" communications accessible to the public, such as the Group, give notice of any breach in security. Violation of these obligations could lead to legal action against the Group.

The Group does business in the hosting of data relating to the health of individuals, which subjects it to the specific obligations provided for by the Public Health Code such as obtaining and maintaining authorization for the hosting of such data. If the Group breaches its obligations or fails to adhere to the requirements applicable to personal data processing, it may be subjected to criminal and financial penalties likely to have a material adverse impact on the Group's business, financial position and results of operations.

In its judgment on October 6, 2015 (known as the "Schrems Judgment"), the European Court of Justice ("CJEU") overturned the decision by the European Commission that the transfer of European personal data to the United States under the "Safe Harbor" framework provides an adequate level of protection. The successor "Privacy Shield" agreement, adopted by the European Commission on July 12, 2016, could still be overturned by a judgment of the European Court of Justice if the latter finds that such agreement does not assure an adequate level of protection to European personal data. The potential illegality of transferring European personal data to the United States under the Privacy Shield could impact the Group's business and results.

In 2016 the CJEU further clarified what safeguards are required for data retention to be lawful. In the case of Tele2 Sverige and Home Secretary v. Watson, the court concluded that Member States cannot impose a general obligation on providers of electronic telecommunications services to retain data, but did not ban data retention altogether. Such retention is compatible with EU law if deployed against specific targets to fight serious crime. Retention measures must be necessary and proportionate regarding the categories of data to be retained, the means of communication affected, the persons concerned and the chosen duration of retention. Furthermore, national authorities' access to the retained data must be conditional and meet certain data protection safeguards.

In the case of Breyer, the CJEU concluded that Internet Protocol addresses may constitute personal data where the individual concerned can be identified, even where a third party must obtain additional data for the identification to take place. The CJEU also held that data retention is allowed as long as website operators are pursuing a legitimate interest when retaining and using their visitors' personal data. This is of major importance for data retention rules; it follows that online media service providers can lawfully store their visitors' personal data to pursue a legitimate interest, rather than just for the purposes previously outlined in the invalidated Data Retention Directive. Thus, the grounds justifying data retention have become broader.

Despite the measures adopted by the Group to protect the confidentiality and security of data, there remains the risk of possible attacks or breaches of data processing systems, which could give rise to penalties and damage its reputation. The Group could be compelled to incur additional costs in order to protect itself against these risks or to mitigate the consequences thereof, which could in turn have a material adverse impact on its business, financial position, results of operations or outlook. Furthermore, any loss of confidence on the part of the customers of the Group as a result of such events could lead to a significant decline in sales and have a material adverse impact on the Group's business, financial position and results of operations.

The Group is dependent upon its intellectual property rights, which might not be adequately protected.

The Group holds a sizeable and diversified portfolio of trademarks, patents, designs and patterns, and domain names. The Group's operations are based to a large extent on its intellectual property rights and the Group pursues an active policy of protecting and managing them.

The Group holds (in full ownership or by licence) registered trademarks and patents as well as applications for trademarks and patents in the EU, particularly in France, as well as outside the European territory (including in the United States, Japan and China). Like any party filing intellectual property rights, the Group could experience difficulties in obtaining intellectual property rights due to possible prior art or conditions relating to the registration of the relevant documentation. Furthermore, the Group cannot guarantee that filings made for obtaining intellectual property rights will result in the issuance thereof, particularly in the case of dispute by third parties in the context of opposition or nullification of rights proceedings. The rights obtained could also prove insufficient to ensure adequate protection or a competitive advantage, such as exclusivity of exploitation.

The Group may depend on its employees or third parties regarding the ownership of certain intellectual property rights.

Certain essential intellectual property rights exploited by the Group within the context of its operations are and/or could be held, however, by third parties that have granted the Group a licence the terms of which limit the Group's exploitation rights and a breach of which could lead to significant litigation, particularly with respect to software. In particular, certain licensing agreements contain clauses that could put an end to the exploitation of the rights involved in the event of a change in control affecting the Group.

Despite the Group's efforts to protect its intellectual property rights, third parties could attempt to infringe upon them. The Group might have difficulty effectively protecting its rights and preventing unauthorized uses thereof, particularly in foreign countries, and this could generate significant costs.

The Group could also find itself sued for infringement of the intellectual property rights of third parties, which could result in its being ordered to cease exploitation and in a judgment against it for the resulting damages. Moreover, the telecommunications industry is characterized by a high concentration of intellectual property rights, which increases the risk of litigation resulting from the activities of the Group upon the grounds of prior rights of third parties. Therefore, just like its competitors and other companies doing business in fields requiring technological expertise, the Group is particularly exposed to the risk of proceedings initiated by patent trolls. See "*—The Group cannot exclude the possibility of intellectual property infringement claims by "patent trolls*"."

An inability on the part of the Group to succeed in effectively protecting certain important elements of its intellectual property rights and of its technology could have a material adverse effect on the activities, financial position, results of operations or outlook of the Group.

The Group might not be able to obtain, retain or renew the licences and authorizations necessary for performance of its activities.

Some activities of the Group depend on obtaining or renewing licences issued by regulatory authorities, particularly ARCEP in the telecommunications field and CSA in the audiovisual field.

The procedure for obtaining or renewing such licences can be lengthy and complex. In addition, these licences may not be able to be obtained or renewed. If the Group fails to obtain or retain, in a timely manner, the licences necessary for performing, continuing or developing its activities, its ability to achieve its strategic objectives could be subjected to alteration.

The acquisition of licences also represents a high cost, the timing of which varies depending on when the frequencies involved are auctioned. Furthermore, this cost could rise due to strong competitive pressure in the telecommunications field. In addition, the Group may fail to be awarded the desired use licences, which could have an adverse effect on the Group's business, financial position, results of operations or outlook.

Moreover, under the licences allocated to the Group's subsidiaries, the latter have committed themselves to complying with certain obligations (population coverage, sharing in some areas, roaming allowance). The Group is required to deploy a 3G and 4G generation radio network adhering to certain rates of coverage for the metropolitan population according to a given timetable. Within the framework of its 4G licences, if certain conditions are met, the Group will eventually have to allow Free Mobile roaming on a portion of its 4G network. The Group will also have to provide coverage, in conjunction with other 800 MHz band holders and under its 2G licence, for the city centers identified under the "white zones" plan, and accede to reasonable requests for network sharing in a priority deployment zone. The Group will also have to accede to reasonable requests to allow MVNOs throughout its very-high-speed mobile network open to the public in Metropolitan France. A failure to adhere to any one of these commitments could put the Group at risk under its regulatory obligations and possibly expose it to penalties (fines, total or partial suspension or withdrawal of licence). This could have a material adverse effect on the Group's business, financial position, results of operations or outlook of the Group.

To provide the Group's various stakeholders with certainty over the future of some spectrum resources and with a view to issuing a call for applications that will enable a reallocation of longstanding 2G and 3G frequency bands for a period of 10 years (the licences relating to which will begin to expire in 2021), ARCEP published a draft decision for public consultation and planned on defining the terms and conditions for such reallocation. The frequencies concerned are the frequencies in the 900 and 1800 MHz bands that were allocated to Orange, the Group and Bouygues Telecom in 2006 and 2009 for 15 years, and the 2.1 GHz band frequencies allocated to these same three operators in 2001 and 2002 for 20 years. Some of the existing 900, 1800 and 2100 MHz frequency licences for Metropolitan France are set to expire in 2021, 2022 and 2024.

The terms for allocating frequencies seek to satisfy two main goals: digital regional development and achieving fair and effective competition between operators. The call for applications procedures for the allocation of 900, 1800 and 2100 MHz band frequencies take into account the goal of ensuring fair and effective competition in the mobile market by implementing the conditions needed to ensure that all mobile operators have fair and equal access to spectrum. ARCEP is expected to adopt the call for applications decision in July 2018. It will be submitted to the Minister responsible for electronic communications who is then expected to launch the allocation procedure. The licences are expected to be awarded during the fourth quarter of 2018, and the frequencies are expected to be made available starting in 2021.

For further information on the licences and authorizations necessary for performance of the Group's activities, see "*Regulation*".

The Group's business activities and their development depend on the ability of the Group to enter into and maintain joint arrangements with other players in the telecommunications field.

Mobile Network Sharing Agreement between Bouygues Telecom and the Group

On January 31, 2014, Bouygues Telecom and the Group entered into an agreement to share a portion of their mobile networks (the "Network Sharing Agreement"). See "*Business of the Group—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*". This agreement aims to allow the two operators to offer their respective customers better geographic coverage and better quality of service, while optimizing costs and investments.

The first deliveries of cellular plans occurred on April 30, 2014. It was at that time that each operator first became aware of the deployment plans and technical characteristics of its partner's sites. The French Competition Authority had prohibited the exchange of technical information prior to the signing of the agreement, and the engineering guidelines had been established on the basis of assumptions that proved to be incorrect in some cases. The discussions that followed upon the initial deliveries of cellular plans led, on October 24, 2014, to adaptation of the agreement and, more specifically, of some engineering choices that had been made at the time when the initial agreement was signed. The target date for completing the network was delayed one year, from the end of 2017 to the end of 2018, to account for the time needed to make these adjustments in the target network engineering.

The Group could be exposed to various risks related to the implementation of the Network Sharing Agreement.

The Group will be dependent upon Bouygues Telecom for the part of its network that it is to be responsible for operating. In particular, it will not have of any direct operational control over the portion of the network managed by Bouygues Telecom that is to be shared. Therefore, the Group will not be able to control the quality of the network provided to the customers involved or to implement corrective measures necessary in the event of defect. In addition, the Group will be exposed to the risk of failure on the part of Bouygues Telecom.

In addition, the joint arrangement implemented could also fail to generate the expected synergies, especially in terms of geographic coverage or quality of service. Any delay in its implementation may affect the ability of the Group to achieve the aforementioned objectives of geographic coverage and quality of service. The implementation of the joint arrangement will also require significant capital expenditures and there can be no assurance that the Group will be able to make a return on such investment or recoup such investment.

Further, in the event of partial or total cessation and/or failure of the joint arrangement, the Group would have to redeploy a network in the zones covered up to that time by the Network Sharing Agreement so as to maintain its geographic coverage and the quality of its services. Such redeployment could represent a major expense for the Group. Moreover, the Group cannot guarantee that it will be able, in such a scenario, to implement coverage equivalent to that enjoyed by customers under the Network Sharing Agreement.

The competent authorities may, in the future, make decisions jeopardizing the overall economics and/or validity of the Network Sharing Agreement.

Third parties may also seek to have access to the shared network and take action against the Group and its partner. On April 29, 2014, Orange filed a complaint with the French Competition Authority with regard to the Network Sharing Agreement, alleging that it constituted an anti-competitive practice. Investigations on the merits are currently underway. For more information on these proceedings, see "*Business of the Group—Legal Proceedings—Civil and Commercial Dispute—Wholesale Disputes—Orange v. SFR and Bouygues Telecom (Network Sharing Agreement)*".

Contract relating to the GSM-R mobile telecommunications network

The Group holds a 30% minority stake in the company Synérail, which has entered into an agreement for a joint agreement with Réseau Ferré de France ("RFF") for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile telecommunications network. See "*Business of the Group—Material Contracts—Wireless Network Agreements—Agreement Related to the GSM-R Wireless Telecommunications Network*". The GSM-R project aims to set up a private telecommunications network dedicated to the needs of professionals in rail transport. It enables a European network to be created having a single communications system that is compatible and harmonized among the rail networks, replacing the existing national radio systems. This contract, with a term of 15 years starting March 24, 2010 and for a total amount of €1 billion, provides for the gradual deployment of this network. The Group is also involved as service provider in the operating phase of the GSM-R network. Delays in deployment caused by the Group or an inability to achieve the targets provided for in the contract could put the Group at risk under its contractual obligations to its key partners which could have a material adverse effect on the Group's business, financial position, results of operations or outlook.

For a description of other material contacts related to the Group's activities, see "*Business of the Group—Material Contracts*".

The Group is dependent on its national distribution network.

The Group distributes its products and services meant for the general public and businesses directly or indirectly through its national distribution network. Within the framework of B2C activity, such distribution occurs mainly through its SFR spaces. For indirect distribution of its services the Group relies on independent partners, in which it directly or indirectly holds minority stakes.

The telecommunications market is characterized by rapid change in the habits and needs of customers. Therefore, the Group is committed to adapting its distribution network accordingly in order to respond to new market characteristics. This evolution of the distribution network involves regular adaptation of indirect distribution and thus on the part of all of its independent partners. However, some of them might not have the ability or might not wish to implement the necessary adaptations.

In addition, the Group is engaged in significant disputes with former or current partners, particularly demands to re-characterize agreements for joint arrangements as commercial agent agreements, to obtain compensation due to breakdowns in commercial relations, and to invoke the status of management employee, as well as demands from its own employees for recognition of the Group's status as employer and for application of the employment status applicable inside of the "SFR Social and Economic Unit" ("UES") convention. The Group has already implemented policies for adapting its contractual tools in order to prevent such risks and manage tailored protective policies; however, it cannot guarantee that such claims will not increase or that the factual or legal arguments put forward by the Group to rebut these claims will be received favorably by the courts. In particular, the Group may be obligated to apply its employment status outside its current UES convention. Such events could have an adverse effect on the Group's distribution network and compel it to modify it. More generally it could have a significant material adverse effect on the organization, business, financial condition, results of operations or prospects of the Group. See "*Business of the Group—Legal Proceedings—Litigation over distribution in the independent network (Consumer market and SFR Business Team)*".

Risks Relating to the Notes and the Structure

The Issuer and certain Guarantors are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and Guarantees.

The Issuer and certain of the Guarantors are holding companies with no business or revenue generating operations of their own. The only significant assets of the Issuer on the Issue Date consisted of cash in its bank accounts and its shares in its direct subsidiaries and various intercompany loans to its subsidiaries. As such, the Issuer is wholly dependent upon payments under such loans and other payments from members of the Group in order to service its debt obligations under the Notes to the extent it does not have cash to meet those obligations. Furthermore, the Indenture, and the Existing Notes Indentures prohibit the Issuer from engaging in any activities other than certain limited activities.

The ability of members of the Group to make such payments will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "*Risk Factors*" and elsewhere in these Listing Particulars. Furthermore, the payment of dividends and the making, or repayment, of loans and advances to the Issuer by the Issuer's subsidiaries are subject to various restrictions. The ability of any of the Issuer's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws, requirements that dividends must be paid out of reserves available for distribution and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. In some cases, receipt of such payments or advances may be subject to onerous tax consequences.

Although the Indenture, the Existing Notes Indentures, the Existing Revolving Credit Facilities Agreement and the Existing Term Loans Agreement limit the ability of the Issuer's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer or the Guarantors, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with the Issuer's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Issuer's subsidiaries will provide the Guarantors or the Issuer with sufficient dividends, distributions or loans to fund payments under their Guarantees or the Notes when due. See "*Description of Other Indebtedness*" and "*Description of Notes*".

Your right to receive payments under the Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of the Issuer's subsidiaries that do not guarantee the Notes.

The Notes are guaranteed on a senior secured basis by the Guarantors. Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of the Group's non-Guarantor subsidiaries, holders of their debt (including any intercompany loan to such subsidiaries) and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Guarantees, are structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the Group's non-Guarantor subsidiaries.

The Group's non-Guarantor subsidiaries may also be able to incur substantial additional indebtedness in the future, further increasing the risks associated with leverage. If any of the Group's non-Guarantor subsidiaries incur additional indebtedness, the holders of that debt will be entitled to share ahead of you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of such non-Guarantor subsidiaries.

The value of the Notes Collateral may not be sufficient to satisfy the Issuer's obligations under its Notes and the obligations of the Guarantors under the Guarantees and such Notes Collateral may be reduced or diluted under certain circumstances.

In the event of liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceeding, the proceeds from the sale of the Notes Collateral that secures the Issuer's Notes and the Guarantees may not be sufficient to satisfy the Issuer's obligations under the Notes and the obligations of the Guarantors under the Guarantees. The value of the Notes Collateral and the amount that may be received upon a sale of Notes Collateral will depend upon many factors including, among others, the condition of the Notes Collateral, the ability to sell the Notes Collateral in an orderly sale, industry, market and economic conditions, whether the business is sold as a going concern, the availability of buyers and other factors. With respect to any shares of the Group's subsidiaries pledged to secure the Notes and the Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency, liquidation, winding up or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, courts could limit recoverability with respect to the Notes Collateral if they deem a portion of the interest claim usurious in violation of applicable public policy. As a result, liquidating the Notes Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes. If the proceeds of Notes Collateral were not sufficient to repay amounts outstanding under the Notes, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Notes Collateral) would only have an unsecured claim against the Issuer's and Guarantors' remaining assets. See "*—It may be difficult to realize the value of the Notes Collateral securing the Notes*."

No appraisal of the fair market value of the Notes Collateral has been made in connection with the offering of Notes. The book value of the Notes Collateral should not be relied on as a measure of realizable value for such assets. The value of the Notes Collateral could be impaired in the future as a result of changing economic and market conditions, the Group's failure to successfully implement the Group's business strategy, competition and other factors. The Notes Collateral may include intangible or other illiquid assets that by their nature may not have a readily ascertainable market value, whose value to other parties may be less than its value to the Group, or may not be readily saleable or, if saleable, there may be substantial delays in their liquidation. In addition, the value of the Notes Collateral may decrease because of obsolescence, impairment or certain casualty events.

The Indenture, the Existing Notes Indentures, the Existing Revolving Credit Facilities Agreement and the Existing Term Loans Agreement permit the granting of certain liens other than those in favor of the holders of the Notes on the Notes Collateral securing the Notes. To the extent that holders of other secured indebtedness or third parties enjoy such liens, including statutory liens, whether or not permitted by the Indenture, the Existing Notes Indentures, the Existing Revolving Credit Facilities Agreement and the Existing Term Loans Agreement or the Notes Collateral Documents, such holders or third parties may have rights and remedies with respect to the Notes Collateral that, if exercised, could reduce the proceeds available to satisfy the Issuer's obligations under the Notes and the obligations of the Guarantors under the Guarantees, to the extent such Notes and Guarantees are secured by such Notes Collateral. Moreover, if the Issuer issues additional Notes under the Indenture, holders of such additional Notes would benefit from the same Notes Collateral as the holders of the Notes, thereby diluting holders of Notes' ability to benefit from the liens on the Notes Collateral securing their Notes.

The Intercreditor Agreement provides for detailed enforcement mechanisms with respect to the Notes Collateral and any enforcement of the Notes Collateral is subject in many cases to significant limitations under local law. Please see "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Limitation on Validity and*

Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions—France—Limitation on Enforcement of Security Interests."

The security interests in the Notes Collateral have been or will be granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Notes Collateral may be restricted by local law.

The security interests in the Notes Collateral secures the Issuer's obligations under the Notes and the obligations of the Guarantors under the Guarantees have not been or will not be granted directly to the holders of the Notes but have been or will be granted only in favor of the Security Agent. The Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Notes Collateral. As a consequence, holders of the Notes have no direct security interests and are not entitled to take enforcement action in respect of the Notes Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Notes Collateral securing such Notes.

In certain jurisdictions, including France, due to laws and case-law governing the creation and perfection of security interests, the relevant security documents will secure "parallel debt" obligations created under the Intercreditor Agreement in favor of the Security Agent (and not the obligations under the Notes and the Guarantees). The parallel debt construct has not been fully tested under law in certain of these jurisdictions. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions—France—Limitation on Enforcement of Security Interests*."

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions, depending on the type of the security interests. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "Collateral Act 2005"), a security (financial collateral) may be provided in favor of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis à vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

The security documents governing the granting of the Notes Collateral Documents are or will be governed by the laws of a number of jurisdictions. Bankruptcy laws could prevent the Security Agent on behalf of the holders of the Notes from repossessing and disposing of the Notes Collateral upon the occurrence of an event of default if bankruptcy proceedings are commenced by or against the relevant grantor of such Notes Collateral before the Security Agent repossesses and disposes of the Notes Collateral. See "*—Enforcing your rights as a holder of the Notes or under the Guarantees or security across may prove difficult or provide less protection than U.S. bankruptcy law*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*."

It may be difficult to realize the value of the Notes Collateral securing the Notes.

The Notes are secured by the Notes Collateral.

The Notes Collateral is subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of senior ranking security interests in the Notes Collateral securing the Notes from time to time. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Notes Collateral, as well as the ability of the Security Agent to realize or foreclose on such Notes Collateral. Furthermore, the senior ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests of the Security Agent are subject to practical problems generally associated with the realization of security interests over real or personal property such as the Notes Collateral. For example, the Security Agent may need to obtain the consent of a third party, including that of competent regulatory authorities or courts, to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Notes Collateral may significantly decrease.

Furthermore, enforcement procedures and timing for obtaining judicial decisions in France and Luxembourg may be materially more complex and time consuming than in equivalent situations in jurisdictions with which investors may be more familiar.

In addition, the Group's business requires a variety of national and local permits and licenses. The continued operation of properties that comprise part of the Notes Collateral and that depend on the maintenance of such permits and licenses may be prohibited or restricted. The Group's business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure, the grant of permits and licenses may be revoked and the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Furthermore, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Notes Collateral may be significantly decreased.

Rights in the Notes Collateral may be adversely affected by the failure to perfect security interests in the Notes Collateral.

Applicable law may require that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party or the grantor of the security. The liens on the Notes Collateral may not be perfected with respect to the Notes and the Guarantees, as the case may be, if the Security Agent is not able to or does not take the actions necessary to perfect or maintain the perfection of any such liens. Such failure may result in the invalidity of the relevant security interest in the Notes Collateral securing the Notes or the Guarantees, or adversely affect the priority of such security interest in favor of such debt against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Notes Collateral. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the Security Agent will monitor, or that we will inform the Security Agent of, the future acquisition of property and rights that constitute Notes Collateral, and that all necessary action will be taken to properly perfect the security interest in such after acquired collateral. Neither the Security Agent nor the Trustee has any obligation to monitor the acquisition of additional property or rights that should constitute Notes Collateral or the perfection of, or to take steps to perfect, any security interest therein. Such failure may result in the loss of the security interest in the Notes Collateral or adversely affect the priority of the security interest in favor of the Notes and the Guarantees against third parties including a trustee in bankruptcy and other creditors who may claim a secured interest in any part of the Notes Collateral.

Additionally, the Indenture and the Notes Collateral Documents entered into in connection with the Notes require us to take a number of actions that might improve the perfection or priority of the liens of the Security Agent in the Notes Collateral. To the extent that the security interests created by the Notes Collateral Documents with respect to any Notes Collateral are not perfected, the Security Agent's rights will be equal to the rights of general unsecured creditors in the event of a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding.

There are circumstances other than repayment or discharge of the Notes under which the Guarantees and/or Notes Collateral will be released, without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees will be released. See "*Description of Notes—The Note Guarantees—Releases of the Note Guarantees*".

In addition, under various circumstances, the Issuer and the Guarantors are entitled to release the security interests in respect of the Notes Collateral securing the Notes and the Guarantees. The Issuer and the Guarantors are permitted to release and/or re-take any lien on any Notes Collateral to the extent otherwise permitted by the terms of the Indenture, the security documents governing the Notes Collateral, the agreements governing the Issuer's and Guarantors other indebtedness, or the Intercreditor Agreement or any additional intercreditor agreement. Such a release and re-taking of Notes Collateral may give rise to the start of a new hardening period in respect of the Notes Collateral and/or may be void under applicable law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*." Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Notes Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Notes Collateral and thus reduce your recovery under the Notes. See "*Description of Notes—Security Documents*".

The Issuer and the Guarantors, in most cases, have control over the Notes Collateral securing the Notes and the Guarantees and the sale or disposal of particular assets could reduce the pool of assets securing such debt.

The security documents governing the Notes Collateral allow the Issuer and the Guarantors, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Notes Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Notes Collateral, such as selling, factoring, abandoning or otherwise disposing of Notes Collateral and making ordinary course cash payments, including repayments of debt. Any of these activities could reduce the value of the Notes Collateral and consequently the amounts payable to you from proceeds of any sale of Notes Collateral in the case of an enforcement of the liens.

Enforcing your rights as a holder of the Notes or under the Guarantees or security across multiple jurisdictions may prove difficult or provide less protection than U.S. bankruptcy law.

The Notes have been issued by the Issuer, which is incorporated under the laws of France. The Notes are guaranteed as from the Issue Date by the Guarantors, which are incorporated under the laws of France, Luxembourg and the United States. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any, all or any combination of the above jurisdictions. Such jurisdictions may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar, and proceedings in these jurisdictions are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, Guarantees and Notes Collateral will be subject to such bankruptcy, insolvency and administrative laws and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings. See "*—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*."

In particular, French bankruptcy laws and regulations are unfavorable to creditors in many respects. Applicable fraudulent transfer and conveyance principles, insolvency laws and limitations on the enforceability of judgments obtained in France could limit the enforceability of the Notes, of the Guarantees or of the security interests over the Notes Collateral. The insolvency court may also in certain circumstances void the security interests if insolvency proceedings have been commenced against a company incorporated in France. For a brief description of certain aspects of insolvency laws in France, see "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions—France—French insolvency laws*".

In addition, in the event that one or more of the Issuer, the Guarantors and any future guarantor, if any, or any other of the Group's subsidiaries experiences financial difficulty, the bankruptcy, insolvency, administrative and other laws of the Issuer's and the Guarantors' jurisdictions of organization and location of assets may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether the law of any particular jurisdiction should apply, and may adversely affect your ability to enforce your rights under the Notes, the Guarantees and the Notes Collateral in those jurisdictions or limit any amounts that you may receive. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*" with respect to certain of the jurisdictions mentioned above.

Each Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture provides that each Guarantee is limited to the maximum amount that may be guaranteed by the relevant Guarantor without, among other things, rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law or causing the officers of the Guarantors to incur personal civil or criminal liability, and enforcement of each such Guarantee would be subject to certain generally available defenses. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

Enforcement of any of the Guarantees against any Guarantor, or of the security interests in respect thereof if applicable, will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) void or invalidate all or a portion of a Guarantor's obligations under its Guarantee or the security interests in respect thereof, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the relevant Guarantor was insolvent when it granted the relevant Guarantee;

- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and such Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed or breach financial assistance rules or the corporate objects of the Guarantors or not to be in the best interests or for the corporate benefit of the Guarantors; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of the Group's subsidiaries pursuant to the Indenture. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Guarantee against the Guarantor.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments for the benefit of holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;

- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or

- it cannot pay with its available assets its debts as they become due.

The liability of each Guarantor under its Guarantee will be contractually limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you or the Security Agent for your benefit may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if the Issuer cannot satisfy its obligations under the Notes or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, you may not be repaid in full amounts outstanding under the Notes. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

The Issuer may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indenture) as required by the Indenture.

Upon the occurrence of certain events constituting a change of control triggering event, the Issuer will be required to offer to repurchase all its outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest if any, to (but excluding) the date of purchase. If a change of control triggering event were to occur, there can be no assurances that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the Group's credit facilities or other then existing contractual obligations of the Issuer would allow the Issuer to make such required repurchases. Additionally, under the Existing Revolving Credit Facilities a change of control triggering event (as defined therein) constitutes a mandatory prepayment event and an automatic cancellation of the facilities thereunder and under the Existing Term Loans a change of control triggering event (as defined therein) constitutes an event of default permitting the lenders to accelerate the maturity of borrowings under the Existing Term Loans Agreement and the commitments thereunder to lend would terminate. The Issuer's ability to pay cash to the holders of the Notes and its other indebtedness following the occurrence of a change of control triggering event may be limited by the Group's then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. Furthermore, the Issuer's ability to repurchase its Notes may be limited by law. In addition, it is expected that the Issuer would require third party financing to make an offer to repurchase the Notes upon a change of control triggering event. There can be no assurances that the Issuer would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which could, in turn, constitute a default under other agreements governing the Group's debt. See "*Description of Notes—Change of Control*".

The change of control triggering event provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transaction involving the Group that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control triggering event" as defined in the Indenture. In addition, a change of control as defined in the Indenture will not constitute a change of control triggering event unless there is a ratings decline (as defined in the Indenture) and therefore the Issuer may not be required to offer to repurchase or redeem the Notes even if there has been such a change of control. Except as described under "*Description of Notes—Change of Control*", the Indenture does not contain provisions that requires the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries taken as whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries taken as a whole. In addition, holders of the Notes may not be entitled to require the Issuer to purchase its Notes in certain circumstances involving a significant change in the composition of Altice Europe's board of directors, including in connection with a proxy contest, where Altice Europe's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a change of control requiring a repurchase offer under the terms of the Indenture. As a result, it may be unclear as to whether a change of control or a change of control triggering event has occurred and whether the Issuer is required to make an offer to repurchase the Notes. See "*Description of Notes—Change of Control*".

There can be no assurance that an active trading market will develop for the Notes, in which case your ability to sell the Notes will be limited.

The Notes are new securities for which there is no market. We cannot assure you as to:

- the liquidity of any market that may develop for the Notes;

- your ability to sell your Notes; or

- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, the Group's operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of the Group's prospects and financial performance. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obliged to do so, and they may discontinue any market making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

The Notes may not remain, listed on the Official List of the Luxembourg Stock Exchange.

Although the Issuer agreed in the Indenture to use commercially reasonable efforts to have the Notes listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange within a reasonable period after the Issue Date of Notes and to maintain such listing as long as such Notes are outstanding, the Issuer cannot assure you that such Notes will remain listed. If the Issuer can no longer maintain the listing on the Luxembourg Stock Exchange, the Issuer may cease to maintain such listing on the Luxembourg Stock Exchange, provided that if at any time the Issuer determines that they will not maintain such listing, it will obtain prior to the delisting of such Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield Issuer in accordance with the Indenture, failure to maintain listing or the delisting of such Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell such Notes in the secondary market.

Credit ratings may not reflect all risks.

The credit ratings assigned to the Notes are an assessment by the relevant rating agencies of the Issuer's ability to pay its debts when due, which is, in respect of payment obligations under the Notes, dependent upon dividends, other distributions and other payments from its subsidiaries or parents, as applicable. Consequently, real or anticipated changes in the Issuer's or the Notes' credit ratings may generally affect the market value of the Notes. Ratings may not reflect the potential impact of all risks relating to structure, market and additional factors discussed in these Listing Particulars, and other factors not discussed herein may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. An explanation of the significance of such rating may be obtained from the applicable rating agency. There is no assurance that such credit ratings will be issued or remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the applicable rating agency's judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with the application of the proceeds of the offering or in connection with future events, such as future acquisitions. Holders of Notes will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Notes.

Certain covenants may be suspended upon the occurrence of a change in the Issuer's ratings.

The Indenture provides that, if at any time following the date of the Indenture, the Notes are rated Baa3 or better by Moody's and BBB- or better from Standard & Poors and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the Indenture will not apply to the Notes: "—*Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "—*Limitation on Affiliate Transactions*" and "*—Impairment of Security Interests*" and the provisions of clause (3) of the first paragraph of the covenant described under "—Merger and Consolidation—The Issuer". Notwithstanding the foregoing, if the rating assigned by any such rating agency to the Notes should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstituted as at and from the date of such rating decline.

If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Recoveries may be limited if certain provisions of the Intercreditor Agreement are held to be unenforceable

Pursuant to the terms of the Intercreditor Agreement, the holders of the Notes, the lenders under the Existing Revolving Credit Facilities and the lenders of the Existing Term Loans agree to share equally in respect of any recoveries from the Guarantors (subject to the limitations set forth in the Intercreditor Agreement). In addition, although the security interests in the Notes Collateral securing the Notes and the Guarantees are, in some cases, junior ranking to existing liens securing the Existing Notes, the Existing Revolving Credit Facilities, the Existing Term Loans and certain hedging obligations, pursuant to the terms of the Intercreditor Agreement, the holders of the Notes, the holders of the Existing Notes, the lenders under the Existing Revolving Credit Facilities, the lenders under the Existing Term Loans and counterparties to certain hedging obligations secured on the Notes Collateral will share in recoveries from the enforcement of the security interests in the Notes Collateral on a *pari passu* basis.

However, there can be no assurance that all provisions of the Intercreditor Agreement will be held enforceable by French courts, as the enforceability of intercreditor arrangements has not been tested before the French Supreme Court (*Cour de cassation*). If any of the security interests or if any part of the sharing provisions of the Intercreditor Agreement were to be held unenforceable by French courts, you may recover less than your claims under the Notes in the event of enforcement of the Notes Collateral. For a description of the application of proceeds provisions of the Intercreditor Agreement, please see "*Description of Other Indebtedness—The Intercreditor Agreement*".

Transfers of the Notes are restricted, which may adversely affect the value of the Notes.

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes, in an aggregate principal amount of less than $200,000 in the case of the Dollar Notes or €100,000 in the case of the Euro Notes. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Notice to Investors*".

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer is incorporated under the laws of France, and the Guarantors are organized under the laws of France, Luxembourg and the United States. It is anticipated that some or all of the directors and executive officers of the Issuer and Guarantors incorporated in France and Luxembourg will be nonresidents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors incorporated in France or Luxembourg or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is doubt as to the enforceability in many foreign jurisdictions of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against the Issuer, the Guarantors incorporated in France and Luxembourg, the directors, controlling persons and management and any experts named in these Listing Particulars who are not residents of the United States. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions"*.

You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency.

The Notes will be denominated and payable in U.S. dollar and euro. If your investments are denominated in sterling or another currency other than the currency in which the relevant Notes are denominated, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollar or euro relative to sterling, or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the U.S. dollar or euro against sterling, or other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investments in the Notes by U.S. investors may also have important tax consequences as a result of foreign currency exchange gains or losses, if any.

The Notes may be treated as issued with original issue discount for U.S. federal income tax purposes.

One or more series of the Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined de minimis amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

The Notes are held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Owners of the book-entry interests are not considered owners or holders of the Notes unless and until Notes in registered definitive form ("Definitive Notes") are issued in exchange for book-entry interests. Instead, the common depositary for Euroclear and Clearstream and/or DTC (or their respective nominee) is the sole holder of the global notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Euro Paying Agent (in respect of the Euro Notes) and/or the U.S. Paying Agent (in respect of the Dollar Notes), which will make payments to Euroclear, Clearstream and/or DTC, as applicable. Thereafter, such payments will be credited to Euroclear, Clearstream and/or DTC participants' accounts that hold book entry interests in the Notes, as applicable, in global form and credited by such participants to indirect participants. After payment to Euroclear, Clearstream and/or DTC, none of us, the Trustee, the Transfer Agents, the Registrars or the Paying Agents will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear, Clearstream and/or DTC or to owners of book entry interests.

Owners of book entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, if you own a book entry interest, you will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear, Clearstream and/or DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. See "*Book Entry, Delivery and Form*".

The interests of the Issuer's controlling shareholder may differ from the interests of the holders of the Notes.

The interests of the controlling shareholder of the Issuer, in certain circumstances, may conflict with your interests as holders of the Notes. As of the date of the Offering Memorandum, Altice Europe (through its indirect subsidiaries) owns 100% of the Issuer's share capital and 100% of voting rights in the Issuer. When business opportunities, or risks and risk allocation arise, the interests of Altice Europe (or its affiliates) may be different from, or in conflict with, the Group's interests on a standalone basis. Because Altice Europe is the controlling shareholder of the Issuer, Altice Europe may allocate certain of its risks to the Issuer or the Group and the Issuer cannot assure you that Altice Europe will permit the Group to pursue certain business opportunities.

As a result of its controlling position, Altice Europe has, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and day-to-day operations, as well as the ability to elect and change the Group's management and to approve any other changes to the Group's strategy, structure and operations. A change of strategy or management adversely affecting the Group's operations could indirectly have an adverse effect on the Issuer's ability to meet its obligations under the Notes. In addition, Altice Europe has, directly or indirectly, the power to control the Group's ability to enter into any corporate transaction and prevent any transaction that requires the approval of shareholders, regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, Altice Europe could exercise such power to cause us to incur additional indebtedness or sell certain material assets, in each case, so long as the Group's debt instruments and the Intercreditor Agreement permit. The incurrence of additional indebtedness would increase the Group's debt service obligations and the sale of certain assets could reduce our ability to generate revenues, each of which could adversely affect the holders of the Notes.

Furthermore, Altice Europe and its subsidiaries also have substantial indebtedness. To the extent permitted by the Indenture and other agreements governing the indebtedness of the Group, the Board of Directors of the Issuer may (in compliance with their fiduciary duties as directors of a public company) vote to distribute cash to Altice Europe to allow it to service and repay such indebtedness. In addition, the terms of the Notes permit the Issuer to make distributions and dividends to Altice Europe in order for it to service certain indebtedness of Altice Luxembourg S.A. so long as there has been no payment default under the Notes, or certain insolvency defaults or acceleration of the Notes, in each case, that is continuing.

Altice Europe and its affiliates are in the business of making investments in telecommunications companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with the Group, or with which it conducts business. Altice Europe and its affiliates may also pursue acquisition opportunities that may be complementary to the business of the Group and, as a result, those acquisition opportunities may not be available to the Group.

The Group also receives certain advisory and management services from Altice Europe and members of its management team and receives additional services from Altice Europe and its affiliates as described under "*Certain Relationships and Related Party Transactions*" and may receive additional services or enter into other related party transactions in the future. The Group may be required to pay management fees, franchise fees, licensing fees or other similar compensation to Altice Europe (including members of its management team) and its affiliates for such services. In addition, the Group may also reimburse Altice Europe and its affiliates for all expenses incurred on the Group's behalf.

You should consider that the interests of Altice Europe and its affiliates may differ from yours in material respects. See "*Certain Relationships and Related Party Transactions*".

USE OF PROCEEDS

The expected sources and uses of the funds necessary to consummate the Refinancing Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros and timing of the completion of the Refinancing Transactions. See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*"

The amounts set forth below are based on an exchange rate as of March 31, 2018, of €1.00 = $1.2327.

Sources of Funds		Uses of Funds	
	€ in millions		**€ in millions**
Notes	2,420	Existing 2022 Notes Redemption[2]	4,245
2018 Term Loan[1]	2,028	Transaction fees and expenses[3]	175
		Cash on balance sheet	28
Total Sources	**4,448**	**Total Uses**	**4,448**

[1] Reflects the aggregate principal amount of the 2018 Term Loan.

[2] Reflects the aggregate principal amount of the Existing 2022 Notes which were redeemed in full in connection with the Refinancing Transactions (comprising (i) €1,000 million in aggregate principal amount of outstanding Existing 2022 Euro Notes and (ii) $4,000 (€3,245 equivalent) million in aggregate principal amount of outstanding Existing 2022 Dollar Notes). See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*".

[3] This amount reflects our estimate of the fees and expenses we will pay in connection with the Refinancing Transactions, including original issue discount on the 2018 Term Loan, premium payable in connection with the Existing 2022 Notes Redemption and commitment, placement, financial advisory and other transaction costs and professional fees. This amount may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the various transactions contemplated by the Refinancing Transactions.

CAPITALIZATION

The following table sets forth the Group's consolidated cash and cash equivalents and total financial debt as of March 31, 2018, on an actual basis and as adjusted to give effect to the Refinancing Transactions, including the offering of the Notes hereby and the use of proceeds therefrom, and the acquisitions of the FOT Business, Altice Customer Services and Altice Technical Services France, in each case as if such transactions had occurred on March 31, 2018. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Refinancing Transactions or such other transactions. As adjusted amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros. See "*Summary—Recent Developments*" and "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.*"

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Other Indebtedness*" and the financial statements and notes thereto included elsewhere in these Listing Particulars.

The amounts set forth below are based on an exchange rate as of March 31, 2018, of €1.00 = $1.2327.

	March 31, 2018	
	Actual	**As Adjusted**
	€ in millions	
Cash and cash equivalents[1]	354	435
Financial debt:		
Notes [2]	—	2,420
2018 Term Loan[3]	—	2,028
Existing 2024 Notes and Existing 2026 Notes[4]	6,576	6,576
Existing 2022 Notes[5]	4,245	—
Existing Term Loans[6]	5,017	5,017
Existing Revolving Credit Facilities[7]	330	630
Finance Leases and Other liabilities[8]	132	150
Total financial debt[9]	16,300	16,821
Exchange rate effect of derivative instruments[10]	(256)	(256)
Total financial debt (after currency impact of derivative instruments)	16,044	16,565

(1) As adjusted amount includes adjustments relating to the acquisitions of the FOT Business, Altice Customers Services and Altice Technical Services France and as described under "*Use of Proceeds*".

(2) Reflects the aggregate principal amount of the Notes.

(3) Reflects the aggregate principal amount of $2,500 (€2,028 million equivalent) that was borrowed under the 2018 Term Loan following the date of the Offering Memorandum. See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*" for more information.

(4) Reflects an aggregate principal amount of $6,565 million (€5,326 million equivalent) of Existing 2026 Notes and Existing 2024 Dollar Notes and an aggregate principal amount of €1,250 million of Existing 2024 Euro Notes outstanding.

(5) Actual amount reflects an aggregate principal amount of $4,000 million (€3,245 million equivalent) of Existing 2022 Dollar Notes and an aggregate principal amount of €1,000 million of Existing 2022 Euro Notes outstanding as of March 31, 2018 and the as adjusted amount gives effect to the Existing 2022 Notes Redemption. See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*" for more information.

(6) Reflects the aggregate principal amount of $3,554 million (€2,883 million equivalent) and €2,134 million of outstanding borrowings under the Existing Term Loans Agreement.

(7) Actual amount reflects the aggregate principal amount of €330 million of indebtedness drawn and outstanding under the Existing Revolving Credit Facilities as of March 31, 2018. As adjusted amount reflects an additional €300 million expected to be drawn under the Existing Revolving Credit Facilities to fund a portion of the consideration of the acquisition of the FOT Business. See "*Summary—Recent Developments—Acqusition of Altice Europe's FOT Business*". As of March 31, 2018, we had €795 million of availability under the Existing Revolving Credit Facilities. The aggregate principal amount of indebtedness outstanding under the Existing Revolving Credit Facilities as of the date of the Offering Memorandum is €225 million.

(8) As adjusted amount includes adjustments relating to the acquisitions of the FOT Business, Altice Customer Services and Altice Technical Services France. As of the date of the Offering Memorandum, our Finance Leases and Other Liabilities have increased by €103 million comprising of liabilities under commercial paper issued by the Group.

(9) Excludes (i) customer deposits of €200 million (of which €45 million is short term) which are deposits by customers renting set-top boxes and broadband routers, repayable when customers return such devices in good functioning order at the end of their contracts, (ii) securitization debt of €239 million, (iii) reverse factoring liabilities of €618 million and (iv) the perpetual subordinated notes issued by SFR Fibre to Vilorex, a subsidiary of GDF Suez (the "Perpetual Subordinated Notes"). The proceeds of the Perpetual Subordinated Notes have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Perpetual Subordinated Notes bear interest at 7% per annum. Interest is capitalized. The total financial liabilities under the Perpetual Subordinated Notes amounted to €50 million as of March 31, 2018 (excluding accrued interest).

(10) As of March 31, 2018, the value of the derivatives relating to our existing debt consisted of a positive exchange rate effect of €256 million and a negative interest rate effect of €878 million. The negative interest rate effect is not included in total financial debt or total financial debt (after currency impact of derivative instruments) presented in the above table.

INDUSTRY, COMPETITION AND MARKET OVERVIEW

Presentation of the Sector and Market

The French telecommunications market is the third largest in Europe (Source: Paul Budde Communication Pty Ltd, www.budde.com.au; France—Telecoms, Mobile and Broadband—Statistics and Analyses, January-2018), with revenues of approximately €36 billion in 2017 (Source: ARCEP). While the Group operates in all segments of the French telecommunications market, its activity focuses on fixed-line very-high-speed internet, pay-TV, mobile and next-generation B2B services (advanced data services, IP VPN, hosting and cloud services).

France is one of the largest European fixed-line high-speed internet markets, with nearly 28.6 million fixed-line high-speed subscriptions as of March 31, 2018 (Source: ARCEP). Higher bandwidth is becoming increasingly important for B2C. While only 26.2% of broadband lines were very-high-speed lines as of March 31, 2018 in France, access to very high speed internet continues to rapidly increase with a 28% increase in very high speed subscriptions over the last twelve months (Source: ARCEP). As of March 31, 2018, 10.9 million households were eligible for very-high-speed optical fiber to the home (FTTH), which corresponds to a 6.4% increase in one quarter and a 33.3% increase over one year (Source: ARCEP). Including other alternatives (HFC, VDSL2), 18.1 million households were eligible for very-high speed fixed services as of March 31, 2018, which corresponds to a 2.3% increase in one quarter and a 13.6% increase over one year (Source: ARCEP).

In the mobile market, the total number of SIM cards (excluding MtoM SIM cards) increased, from 73.0 million cards as of March 31, 2017, to 75.0 cards as of March 31, 2018 (Source: ARCEP), with growth driven primarily by the postpaid segment. This growth has been sustained by an increase in the rate of penetration of mobile phones, smartphones and tablets and the growth of quadruple play offers. The value of the French mobile market, which had been declining since 2011 after the fourth mobile telephony operator entered the market in early 2012, contributing to a drop in the pricing of mobile offers in France, has been returning to growth in 2017 (+0.2%), despite the decline of international roaming (-19.3% in 2017) (Source: ARCEP).

In both the B2C and B2B segments, data usage has increased and data needs have become more complex, as the next-generation services require higher speeds and bandwidth capacity.

B2C market

The Group is present in metropolitan France, which as of December 31, 2017 had a population of approximately 67.2 million residents (Source: INSEE).

The French B2C internet access segment is a mature one, with 28.6 million fixed-line high-speed subscriptions as of March 31, 2018 (Source: ARCEP).

In terms of very-high-speed internet access, which ARCEP defines as internet access for which the peak download speed is greater or equal to 30 Mbps, the French market nevertheless presents a relatively low rate of penetration, with only 26.2% of households having very-high-speed internet access as of March 31, 2018 (Source: ARCEP). The Group estimates that such under-penetration could constitute an attractive opportunity for growth, as B2C subscribers are beginning to favor higher speed and bandwidth capacity for their internet use.

The French high-speed internet access market is one of the most competitive in Europe, with significant unbundling and strong incumbent competitors. The Orange fixed-line network includes a local loop serving the entire French population, and the unbundling allows other DSL access providers to access it at a price that is regulated by ARCEP. According to ARCEP, as of December 31, 2017, 11.9 million lines were unbundled (with 87% of each lines being totally unbundled). All operators reputed to exert significant influence are required to offer unbundled access to their local loop and associated infrastructure under non-discriminatory conditions, which leads to increased competition on the market. See "*Regulation—Asymmetric regulation of the fixed telephony markets and fast and superfast broadband markets*".

The competition on the B2C market has intensified after the president of Bouygues Telecom announced in December 2013 his intention to launch a price war on fixed-line internet offers in 2014, following Free's ads for its 4G offers and the results of its competitors. Bouygues Telecom introduced a triple play offer at €19.99 per month in February 2014, and in July 2014 launched a FTTH offer at €25.99 including tax per month, with no commitment in terms of duration. In March 2015, Iliad announced the release of a new triple play box under Android TV™, the mini 4K, at the price of €29.99 per month, with no commitment in terms of duration.

As of March 31, 2018, Orange, Free (Iliad) and Bouygues Telecom reported a volume of subscribers with broadband services of 11.5 million, 6.5 million and 3.5 million respectively (Source: Q1-2018 earnings releases).

The French B2C mobile telephony market is a mature market, even though it has experienced significant changes in recent years, with the entry of a fourth mobile telephony operator in January 2012. The penetration rate of mobile telephony (excluding M2M SIM cards) in France has continued to increase, in line with historical trends, from approximately 108.0% as of March 31, 2016 for the entire population, to 109.4% as of March 31, 2017 and 111.9% as of March 31, 2018 (Source: ARCEP).

Sector convergence

The convergence of the B2C segment in France is the result of consumers' desire to receive multimedia and telecommunications services from a single operator and at an attractive price. In response, operators offer television, high-speed internet and fixed-line telephony services, which are grouped into bundled offers known as "double play" (two services provided together), "triple play" (three services—telephone, internet, television—provided together) or "quadruple play" (telephone, internet, television and mobile telephony provided together). "Quadruple play" offers have been available in the French market since 2009 (Bouygues Telecom). The Group and Orange introduced "quadruple play" offers in 2010. Numericable followed in 2011 and Free did the same in 2012.

These bundled service offerings allow multimedia and telecommunications service providers to satisfy the communication and entertainment needs of consumers, and draw new subscribers thanks to the improved value of the offers. As of December 31, 2017, approximately 35% of B2C mobile customers were subscribing to a mobile and fixed offer (Source: ARCEP), while 71% of payTV subscriptions were coupled with broadband subscriptions.

The fiber optic/two-way cable networks are particularly adept at supplying triple play services which require wide bandwidth. Initially designed to transmit significant amounts of data, the hybrid fiber and coaxial cable network of the Group, which is based on FTTB technology, allows it to provide high speeds to the customer, regardless of distance. Conversely, the actual speed of the DSL networks varies according to the distance from the access point to the local loop, since the speed decreases as the geographic distance from the subscriber compared to this access point increases (the maximum speeds noted are for customers located within one kilometer of the nearest access point). In order to increase and align network speeds, Orange began to invest in the construction of an FTTH network. Iliad and the Group also began to roll out FTTH networks. As of March 31, 2018, approximately 3.6 million subscribers were connected to FTTH networks (Source: ARCEP).

High-speed internet

a) Introduction

High-speed internet access, often referred to simply as "high-speed internet", is a high-speed data internet connection. Recommendation I.113 of the Standardization Sector of the International Telecommunication Union (ITU) defines "high-speed internet" or "broadband" as a transmission capacity that is higher than the primary speed of the ISDN, which is approximately 1.5 to 2 Mbps. France, with 28.6 million high-speed internet subscribers as of March 31, 2018 (Source: ARCEP), is one of the largest high-speed internet access markets in Europe. However, in terms of very-high-speed internet access, the French market has a relatively low penetration rate, with just 26.2% of households having very-high-speed internet access as of March 31, 2018 (Source: ARCEP). The Group estimates that these low penetration rates constitute an attractive growth opportunity for the Group as a reliable very-high-speed internet access provider. Smartphones and tablets are proliferating, and as they are increasingly used for multimedia functions, B2C subscriptions require both more bandwidth (to adapt to the increased average number of screens per household) and quicker download speeds (to adapt to the use of multimedia services).

The main high-speed internet access technologies are DSL (VDSL2) and fiber optics/cable. Digital analog modems, internet access via electric cable and local wireless loop technology are likewise available in France, although to a lesser extent.

b) Main distribution platforms—DSL, VDSL2, fiber optics and cable

DSL is the first high-speed internet access platform in France, with 20.6 million subscribers as of March 31, 2018, representing approximately 72% of the total French high-speed and very-high-speed market (Source: ARCEP). This situation is the result of several factors: the regulatory environment which encouraged competition for DSL thanks to unbundling and regulated wholesale prices; the relatively recent consolidation cable activity in France and the weak cable coverage level (only less than 51% of French households eligible for very-high speed fixed services that are covered by cable as of March 31, 2018) (Source: ARCEP; the fact that the modernization of cable networks is relatively recent; and the relatively low levels of roll-out of fiber optics.

DSL currently offers consumers a maximum speed of approximately 29 Mbps (Source: Bouygues Telecom, https://www.bouyguestelecom.fr/static/cms/tarifs/Guide_Des_Tarifs.pdf). The average speeds experienced by subscribers are likely to be lower than the maximum speeds. In particular, DSL speeds depend on the distances between the access point to the local loop and the home.

The Group's network uses both FTTH technology and FTTB technology. Both technologies currently offer consumers a maximum speed of 1 Gbps. The major difference between the FTTH networks and the fiber/cable network (FTTB) lies in the fact that for FTTB, the vertical connection (within the building) to the subscriber uses a coaxial cable.

The roll-out of FTTH networks in France began slowly. Installation of this type of technology represents an investment of capital and time, and requires civil engineering and cabling work, be it horizontally to increase the number of residents covered, or vertically within buildings. The government considers the FTTH networks to constitute a significant part of its long-term investment plan and in February 2013 announced an FTTH roll-out program of €20 billion (invested by private operators and local and regional authorities) and the objective of providing very-high-speed internet access to the entire country by 2022. The government expects that FTTH will represent 80% of the very-high speed network deployed (Source: France Très Haut Debit, https://www.francethd.fr/le-tres-haut-debit/qu-est-ce-qu-un-reseau-tres-haut-debit.html). The government will provide a €3.3 billion subsidy package, a portion of which comes from the Investments for the Future Program (*Programme des Investissements d'Avenir*) which is managed by France's General Commissariat for Investments and governed by the 2015 Budget Act. The rollout has been divided in three zones: (i) very dense areas (5.5m households) (ii) low-density areas (12.5m households); and (iii) low-density areas (15.2m households). Very dense areas and low-density areas are expected to be covered with privately-funded networks while private operators are expected to co-invest with public partners in the low-density areas (Source: ARCEP). Orange and the Issuer will lead the deployment of the very-high speed network in privately-funded, low density areas, with the Issuer being in charge of 20% of the network deployment (Source: TeleGeography, https://www.telegeography.com/products/commsupdate/articles/2018/06/28/orange-altice-ink-new-fibre-sharing-deal/). Various local and regional authorities have already extended subsidies to network operators to install FTTH connections. This trend should continue, as certain departments, municipalities and regions, such as Hauts-de-Seine, Amiens and Louvin, for example, have entered into public-private partnerships to encourage such investments. As of March 31, 2018, France had a total of 3.6 million very-high-speed internet subscribers via FTTH, a 49.0% increase in one year (Source: ARCEP). The Group signed agreements with Orange, as did Free, relating to the roll-out of fiber optics in less dense zones of France. In accordance with the conditions established by ARCEP, third-party operators may likewise have access to the infrastructure used by an operator, including by co-financing projects, for their own very-high-speed internet offers.

VDSL2 technology is an alternative solution. DSL networks may be improved, and a portion of them have already been improved, thanks to the VDSL2 technology, which the government authorized for use in April 2013, and which may provide maximum bandwidth download speeds of up to 100 Mbps. More particularly, the roll-out of VDSL2 only requires the addition of VDSL2 cards in the DSLAMs that were already rolled out and does not entail any physical intervention at the subscriber's home. As of March 31, 2018, approximately 5.8 million households were eligible to very-high-speed broadband on VDSL2 (Source: ARCEP).

As of March 31, 2018, very-high-speed subscribers represented approximately 26.2% of all high-speed internet subscribers (Source: ARCEP), and the Group was the top player in this market. The Group currently offers cable subscribers internet speeds up to 1 Gbps through its modernized network and set top boxes.

The following table shows the distribution between high-speed internet services in France, between March 31, 2017 and March 31, 2018 (Source: ARCEP):

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018*
			in millions		
High-speed subscriptions					
xDSL subscriptions	21.553	21.376	21.199	20.904	20.575
Other high-speed subscriptions	0.524	0.533	0.521	0.536	0.535
Total number of high-speed subscriptions	22.077	21.910	21.720	21.440	21.110
Very-high-speed subscriptions					
of which very-high-speed ≥100Mbits/subscriptions	3.716	3.972	4.262	4.618	4.960
of which end-to-end fiber optics subscriptions	*2.437*	*2.653*	*2.917*	*3.276*	*3.630*
of which cable subscriptions	*1.279*	*1.320*	*1.345*	*1.342*	*1.330*
of which other very-high-speed ≥30 and ≤100Mbits/s* subscriptions	2.127	2.174	2.250	2.370	2.535
Total number of very-high-speed subscriptions	5.843	6.146	6.511	6.988	7.495
Total number of high-speed and very-high-speed subscriptions on fixed-line networks	27.920	28.056	28.232	28.428	28.605

* including subscriptions in VDSL2 for which speed is >=30 Mbits/s

Annual changes in the total number of high and very-high-speed subscriptions	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018***
Net increase over one year, in millions	0.836	0.828	0.783	0.749	0.685
Net increase over one year, in %	3.1% %	3.0% %	2.8% %	2.7% %	2.5% %
Net increase (high-speed), in millions	-0.497	-0.537	-0.671	-0.791	-0.967
Net increase (very-high-speed), in millions	1.333	1.365	1.453	1.539	1.652
Gross increase over the quarter, in millions**	1.350	1.250	1.575	1.575	1.400

* Provisional results

** Data rounded to 12,500—approximate

As of March 31, 2018, the Group had approximately 6,014,000 total fixed B2C subscribers, including approximately 2,327,000 fiber/cable unique customers subscribers.

The Group is also in competition with operators who use alternative technologies for high-speed internet access, such as mobile 3G and 4G internet. As of March 31, 2018, there were a total of approximately 75.0 million SIM cards (excluding MtoM) on the French market (including 72.4 million "active" cards) and, as of December 31, 2017, 56.7 million active mobile 3G subscribers and 41.6 million active mobile 4G subscribers (Source: ARCEP). The Group, along with Orange, Bouygues Telecom and Free, also rolled out offers based on 4G/Long-Term Evolution ("LTE"), which allow quicker high-speed mobile internet service to be provided. In October 2011, Orange, the Group, Bouygues Telecom and Free obtained licenses for the spectrum range of 2.6 GHz, adapted to the roll-out of the 4G/LTE networks. As of March 31, 2018, the Group believes it is the leader in terms of 4G mobile antennas in service in France (28,929 antennas) and covers 96% of the population with 4G. The Group, Orange, Free and Bouygues Telecom have already announced they are preparing the arrival of the next generation of mobile telephony with 5G technology (Source: Q1 2018—PR Results p.11/18, Orange—Preparing 5G p.1/6, Free—Preparing 5G p.2/4, Bouygues Telecom—Preparing 5G—JV with Huawei and Trials in Bordeaux p.2/4).

Moreover, alternative internet access technologies could be introduced in the future. These technologies should further increase competition, or could lead operators to increase their investment costs to make additional upgrades. Competition in these alternative technologies, specifically in terms of pricing, could become more intense in the future.

Pay-TV

(a) Introduction

The French pay-TV television market is one of the largest in Europe. As with other European markets, the behavior of B2C consumers of television services in France is increasingly centered on digital, innovative, HD, Ultra-HD, and 3D-TV television services, as well as interactive television services such as VOD, which require large bandwidth, along with bi-directional distribution platforms.

(b) Broadcast platforms

In France, television signal broadcasting platforms include satellite, IP (DSL/FTTH), the cable network of the Group, terrestrial systems (DTT) and OTT. TV viewers who have the appropriate television equipment may receive signals and watch programs on approximately 25 television channels free of charge (with no subscription) through DTT. In order to have access to more channels or content, TV viewers must subscribe to pay-TV services. The pay-TV market in France is divided between standard pay-TV in the form of packages of standard channels, in other words DTT channels, as well as low added-value channels, and premium pay-TV in the form of premium channel offers, which are specialized in sports, cinema and other thematic channels. The incumbent operators of pay-TV must confront growing competition in free television (including DTT) and other alternatives to pay-TV ("over-the-top" or OTT and catch-up TV), although the competitive advantage of pay-TV (excellent quality programming and premium services) and the loyalty of the existing subscriber base have contributed to its sustainability (low price sensitivity and weak churn).

The growth of IPTV has transformed the market, offering the possibility of providing pay-TV services that go beyond the traditional cable and satellite methods (which is limited by the impossibility of installing a satellite dish on the facade of buildings in certain areas, such as the center of Paris).

Even though pay-DTT (which now concerns only the Canal+ Group) currently represents a low share of pay-TV, providers of pay-DTT could in the future be able to offer a larger selection of channels to a broader audience at a price that is lower than the one billed by the Group for its cable television services.

The Canal+ Group distributes its offers on all broadcasting platforms: DSL, DTT, satellite and the cable network of the Group (in the latter case, only for channels that belong to Canal+, called Les Chaînes Canal+, excluding CanalSat). The Canal+ Group has two additional offers: a premium offer consisting of Les Chaînes Canal+ and a multi-channel package known as CanalSat. These two supplementary offers may be subscribed to individually or together. The Canal+ Group has developed numerous services with high added value to its offerings, such as CanalPlay (TV on-demand not available by satellite but available on the Group's cable network), HD or even multi-screen broadcasting. As of March 31, 2018, the Canal+ Group had 14.7 million individual subscribers, of which 8.0 million individual subscribers are in mainland France (Source: Vivendi Q1 2018 Results). The Canal + Group has negotiated agreements with broadcasters on the broadcasting platforms to which they hold rights.

With regard to Canal+ Group, the Group's pay-TV offers are above all in competition with the CanalSat offers, as the content of their offers is similar (the content of the Canal+ channels is exclusive to the Canal+ Group). There are several CanalSat offers, including CanalSat Panorama (78 thematic channels, €19.90 per month) and L'Intégrale offer, which include all Canal+ and CanalSat channels (79.90€ per month). Last, one may customize its offer adding thematic pack(s) (Family, Canal+ channels, Cinema Series and/or Sport – including beIn) to the main pack (Canal+ and Canal+ Décalé). The Multisports and beIn Sport channels are not included but may, along with other channels, be added as an option.

(i) Cable

The Group is the only major cable operator in France. The revenue for cable network operators is primarily derived from subscription costs paid by subscribers for services provided. The Group estimates that direct access to its subscribers will allow it to identify and respond locally to their demand for specific products and services more easily, and thus to better serve them. The services provided by the cable networks feature easy-to-use technology, installation that is adapted to equipment at subscribers' homes, and reliable secure signals which are directly broadcast to their homes. Cable television subscribers can access the customer services provided by the cable operator upon request. Cable also offers subscribers a high quality of service, including excellent image quality, multiple HD channels, 3D-TV compatibility and VOD offers.

With the market trending towards group offers for multimedia and telecommunications services, the market share in cable television should benefit from the capacity of cable to provide triple play services that benefit from a broad bandwidth, fast speed and bi-directional capacity.

(ii) DSL/VDSL2

Triple and quadruple play offers from the Group are in competition with DSL offers from Orange, Free and Bouygues Telecom, which are currently offering television services to subscribers connected to the Group's network by using high-speed DSL internet connections, and with CanalSat, which offers premium pay-TV on DSL and satellite networks. Even though DSL technology covers a potentially larger customer base (covering, for Orange, its local loop, and for the others, the part of Orange's local exchange which was unbundled), the Group estimates that the superiority of its fiber optic/cable technology in terms of quality, reliability and richness of content will allow it to challenge this statement in the years to come in the areas where the Group has rolled out its fiber optic/cable network. See "—*Group network*". The Group estimates that DSL television presents a disadvantage as compared to cable: the addition of television services on a DSL network has the effect of saturating the network and decreasing the available bandwidth for the other services offered, in particular high-speed internet services which require broad bandwidth. However, the roll-out of FTTH could attenuate the effects of this disadvantage.

(iii) FTTH

Operators are expanding their FTTH networks, with the most active players being Orange and the Group. As of March 31, 2018, the Group had connected approximately 11.2m homes with fiber/cable, Orange 9.6m with FTTH, while Iliad had 6.8m connectible sockets and Bouygues was marketing 4.7m FTTH premises. Triple and quadruple play offers from the Group are in competition with fibre offers from Orange, Free and Bouygues Telecom, which are currently offering television services to subscribers connected to the Group's network by using high-speed FTTH internet connections. These offers are more competitive than the historical xDSL offers. As of December 31, 2017, almost 90% of FTTH broadband subscriptions were coupled with a payTV subscription. (Source: ARCEP)

(iv) Satellite

Satellite holds an important place on the French television market, in particular for premium products. Satellite subscribers may opt for free satellite television or pay satellite television. Satellite operators broadcast digital signals directly to television viewers at the national level. To receive the satellite signal, TV viewers must have a satellite dish, satellite receiver and a TV set-top box. They must also have a "smart card" to access subscription and premium television services that are broadcast by satellite. Satellite operators of free TV have no contractual relationship with television viewers and thus do not collect any subscription fees or other royalties.

Satellite broadcasting presents a certain number of competitive advantages compared to cable television services, in particular a wider range of available programs on a larger geographic zone, in particular in rural areas. Conversely, the Group estimates that satellites are less widely available in urban areas due to restrictions on the installation of satellite dishes. The Group considers that satellites also present the following disadvantages compared to cable: (i) high initial costs of obtaining and installing a dish; (ii) lack of regular maintenance services which, conversely, are provided by cable operators; and (iii) the vulnerable nature of the reception of satellite signals to external interference, such as unfavorable weather conditions.

(v) Pay digital terrestrial television

The Group's cable television services are likewise in competition with the pay-digital terrestrial television ("DTT") operators, such as the Canal+ Group. DTT currently offers only a limited number of channels, and no interactive television service, providing above all free television, although the quality of the image provided is good.

(vi) OTT and other emerging technologies

The Group is faced with growing competition for alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast "over-the-top" ("OTT") programs on a high-speed network, such as Amazon, Apple, Google and Netflix, have already become competitors and are expected to grow stronger in the future. Connected or "smart" TVs facilitate the use of these services.

OTT refers to high speed broadcasting of video and audio content without the internet access provider being involved in the control or distribution of the program (its role is limited to transporting IP packages), as opposed to the purchase of video or audio programs from an internet access provider such as VOD video services or IPTV. Outside France, OTT has had great success. The extent of the competition these alternative technologies will exert on the Group's cable television system in France is not yet known. In particular, OTT in France is affected by the "media chronology" in France, which forces subscription VOD services to comply with a minimum period of 36 months between when a film comes out in France and when it becomes available in a subscription VOD catalog, although this does not apply to series or films that are not shown in theaters.

Netflix launched offers in France on September 15, 2014, offering a one-month free trial and then flat fees beginning at €7.99 per month for basic definition screens, and up to €13.99 per month for four HD-quality screens. Bouygues Telecom and Orange have signed agreements with Netflix under which their respective subscribers may directly access unlimited on-demand video service on their television via a Netflix subscription as of November 2014 (Source: Bouygues Telecom and Orange.fr website release). The television offer with Google Play under the Group's "SFR" brand also includes access to Netflix.

The Canal+ Group is offering CanalPlay, which is similar to Netflix's offer. CanalPlay is available for €9.99 a month for a connected TV, computer, tablet and smartphone (on Free, Orange, Bouygues Telecom, Apple TV and Xbox 360), with a one-month free trial.

Apple TV is also a competitor, and allows content to be broadcast on the television, with access to available content on iTunes and at other providers (CanalPlay, YouTube).

Google TV is also available, either directly on certain televisions, or with a set-top box, and offers on- demand content as well as access to applications such as YouTube. Amazon has also been available since 2016.

The offers of these providers or of other providers of content and/or technologies could significantly increase the pressure for competition on the French market, impacting the prices and structure of the offers. Nevertheless, such technologies could contribute to increasing the demand for very-high-speed internet access services that are offered by the Group.

Telephony

(a) Fixed-line telephony

Traditional switched voice lines have been on the decline for several years, being gradually replaced by VoIP lines and mobile telephony. More generally, fixed-line telephony has become a basic product, which is now generally grouped under multi-play offers. The fixed-line services have consequently become dependent on a quality high-speed internet offer. Flat rates for fixed-line telephony have become the market standard.

The fixed B2C telephony market in France is also facing the pressure exerted by alternate operators, with the decrease in the prices of mobile telephony and interconnection rates, as well as alternative access technologies and other internet telephony methods offered on high-speed internet connections. The Group is expecting competition to be increasingly intense in the future, in particular in terms of pricing.

Fixed-line and mobile telephony traffic dropped approximately 2.3% in 2017, as compared to 2016 (Source: ARCEP).

(b) Mobile telephony

France is one of the largest mobile telephony markets in Europe. At March 31, 2018, there was a total of approximately 75.0 million SIM cards in France (excluding M2M), representing a 111.9% penetration rate in the French population (Source: ARCEP), a figure that has consistently increased over the past few years. The historically low mobile telephony penetration rate, combined with the drop in market prices, has led to a significant increase in mobile telephony subscriptions. This growth has been driven by the subscription contract segment, which increased by nearly 4.6% in volume between Q1-2017 and Q1-2018, whereas the prepaid contracts segment declined by 8.7% during the same period (Source: ARCEP). The increase in the subscription contract segment and the decline in the prepaid contracts segment are primarily due to customers' desire to switch to post-paid and to the competition of flat-rate offers free of commitment and at reduced rates. The income from mobile services on the retail market, which dropped since 2011, has been slightly growing in 2017 from approximately €14.1 billion to approximately €14.2 billion, representing a 0.2% growth in 2017 as compared to 2016 (including M2M revenues) (Source: ARCEP). This improvement can be partly explained by the steady increase in the number of contracts, whose revenue per SIM card is three times higher than prepaid. The drop in this income that was noted during the 2012-2014 period is primarily attributable to two effects:

- drops in rate are primarily a consequence of the arrival of a fourth mobile network operator, Free, in January 2012. This intensification in competition had the effect of lowering mobile offer rates in France. This trend is particularly found on the retail market, but has repercussions for the business and wholesale markets too;

- call termination fees were divided by 2.5 between 2011 and 2013, and then became stable (source: ARCEP—Major Files—call terminations). Nevertheless, in the future, the impact that a potential decrease in these rates could have on the income of operators should be limited, given the particularly low level achieved in France as compared to the rest of Europe (€0.0076 for a mobile voice call termination in the metropolitan area as of January 1, 2016 for all operators and announced €0.0074 as of January 1, 2017—Source: ARCEP—Major Files—call terminations; approximately €0.00968 on average in Europe as of January, 2018—Source: Body of European Regulators for Electronic Communications BEREC). The drop in income drawn from roaming, which is linked to the reduction in wholesale and retail fees for intra-Europe roaming, also had an impact on the sector's revenues. This drop should continue in the upcoming years, due to the expected decreases in roaming fees, which simultaneously result from regulatory changes and commercial offers from operators.

(i) Market segmentation

Historically, there were only three mobile network operators in France: Orange, the Group and Bouygues Telecom. Iliad was granted the fourth mobile license in 2009, and launched a mobile telephony service in January 2012 under the brand name Free. Free's entry disturbed the market, intensifying competition due to its price-setting strategy, which introduced new reduced-price commercial offers onto the market. Before Free's entry, the majority of subscription contracts were based on limited usage (e.g.: four hours of communications) and subsidized cell phones. Free primarily introduced packages without cell phones, which contained limited outsourced services, but while providing unlimited data and communications offers (3G) at a very low cost (€19.99/month for its key offer). The mobile telephony market is currently very competitive in France, with the launch of new 4G offers, a declared hostility between competitors (specifically after the launch by Free and B&You of 4G offers at the same price as 3G offers) and the development of low-cost brands.

Other competitors also introduced low-price brands, such as B&You (Bouygues Telecom) and Sosh (Orange). The Group also adapted its strategy by launching its low-cost "SFR RED" brand. Free quickly gained market share, having attained approximately 13.8 million mobile customers as of March 31, 2018, and a market share of approximately 18%, six years after its commercial launch (Source: Iliad Q1-2018 Earnings Release and ARCEP).

The French mobile market is also characterized by an important share of subscription services, i.e., 65.0 million as of March 31, 2018 (excluding M2M SIMs—Source: ARCEP). This is primarily due to prepaid offers being replaced by low-priced post-paid offers (e.g.: €2 per month) with a small number of communication hours (e.g.: two hours of communication) and no internet.

Over the past few years, MVNOs such as NRJ Mobile and La Poste Mobile have also used mobile operator networks to sell mobile products that bear their own brand names. The migration of customers to MVNOs seems to have stabilized, with MVNOs representing a combined market share of 11.0% of the mobile market in France as of March 31, 2018 (excluding overseas territories and M2M; Source: ARCEP).

As of March 31, 2018, Orange, Bouygues Telecom and Iliad (Free) reported a total of 32.0 million, 11.1 million and 13.8 million mobile customers, respectively (Source: Q1 2018 earnings releases) even though the total number of customers of MVNOs on the market reached 8.0 million as of March 31, 2018 (Source: ARCEP).

(ii) Price setting dynamics

Mobile services revenue, €14.2 billion, excluding VAT, has returned to growth in 2017 (+ 0.2%, from €14.1 billion in 2016). After having reached a maximum of €19.5 billion in 2010, this income decreased over the next six years, with a decline reaching almost €2 billion in 2013 (Source: ARCEP). Indeed, in the past few years, the increased competition on the French mobile market has resulted in a drop in market prices, primarily due to the change in offers of certain subscribers to the benefit of post-paid services.

Part of the reason for the return of revenue growth is the continued increase in the number of postpaid contracts, whose revenue per SIM is three times higher than of prepaid. Income attributable to postpaid, corresponding to €13.4 billion excluding tax, went up for the second year in a row (+1% over one year) and represents 95% of all mobile operators' revenue (Source: ARCEP).

(iii) 4G/LTE

The French market has historically been slower than other European markets in terms of mobile data consumption. Despite the high concentration of post-paid subscriptions, the market has been historically slower as concerns data services. Recently, this trend has changed, insofar as the operators have begun to launch 4G offers at reduced prices. As of December 31, 2017, 56% of SIM cards were 4G-enabled, representing an increase of 10 million sim cards to reach 41.6 million sim cards (of which 76% were 3G-enabled) (Source: ARCEP).

Free was the first operator to introduce 4G at no additional cost in December 2013. Other operators on the market aligned their prices for 4G with those of Free, with all mobile network operators now offering similar all-inclusive 4G packages at an opening price of €20 per month.

(iv) Mobile call termination rates

Mobile call termination rates have been reduced by regulators across Europe. In France, ARCEP announced in 2011 that it would reduce mobile call termination rates (symmetrically for the main operators, which did not include Free because it had not yet launched its commercial operations). In late June 2011, Orange and the Group billed €0.03 per minute while Bouygues Telecom billed €0.034. The new regulations required operators to reduce the rate to €0.02 per minute as of July 1st, 2011, €0.015 as of January 1st, 2012, €0.01 as of July 1st, 2012, €0.008 as of January 1st, 2013, €0.0078 as of January 1st, 2015, €0.0076 as of January 1, 2016 and €0.0074 as of January 1, 2017. Consequently, France has one of the lowest mobile call termination rates in Europe, with limited margin for new rate reductions; in comparison, the average rate in Europe is €0.00968 as of January 2018 (Source: Body of European Regulators for Electronic Communications).

(v) Mobile spectrum and network coverage

Mobile communications are provided through the use of a set of frequencies which the regulator allocates to the various operators. Currently, the four main operators benefit from a varied frequency spectrum, ranging from 800 to 2,600 MHz, which allows all 2G, 3G and 4G technologies to be offered.

Four main network operators were thus present on the mobile service market in metropolitan France as of March 31, 2018, with the various virtual network operators (MVNOs) representing a market share of 11.0% (Source: ARCEP).

The operating licenses for the spectrum in France are generally granted for a period of twenty years, and the operators can only use the technology covered by the license on each band of the spectrum. The other operators have very similar positions on the spectrum bands, which allows them to effectively compete in all of the technologies. The most recent frequency bid in France was for 700MHz in November 2015.

(vi) Technological developments

On mobile networks, in order to accompany the strong growth of mobile internet, operators have committed, in line with the evident desire of the public authorities, to the development of very-high speed-mobile infrastructure, which will supplement the 3G coverage already used. In fall 2012, certain operators opened their fourth-generation networks (4G) by using different frequencies (800 MHz, 2,600 MHz or 1,800 MHz). 4G allows much higher speeds and capacities to be offered (up to theoretical download speeds of 100 Mbps) than those of the previous generation 3G+.

B2B market

Following the liberalization of the French telecommunications market in 1996, a large number of telecommunications operators penetrated the B2B segment, offering fixed telephony services, fixed- line internet access, data access links and, more recently, cloud computing services. The large corporate customer B2B market is very competitive and includes among its main players Orange, the Group, Bouygues Telecom, and Completel as well as international players. The market for other accounts is led by Orange, which competes with local players.

The expectations of B2B customers differ from those of B2C subscribers. B2B customers demand that services be extremely reliable, and that they be able to be quickly reestablished in case of failures (generally subject to financial penalties). B2B customers also require symmetrical bandwidth speeds, even though B2C subscribers are generally satisfied with asymmetrical speeds which provide quicker download times but slower uploads. B2B customers also demand increased security and are able to impose penalties (monetary or other) on operators if the contractual conditions are not respected. These requirements have an impact on the technological solutions offered to B2B customers, and explain the higher prices for the B2B segment.

The penetration of mobile internet is increasing for the B2B market, specifically with more and more smartphones with a flat rate plan including data. In terms of fixed connectivity, the B2B market is now characterized by a growing penetration of fiber optics, which is linked to an increase in data consumption.

Customers' expectations are increasingly for convergent offers combining competitive services: fixed line telephony, which is increasingly converging with data via VoIP, mobile telephony and internet access (with an increasingly strong demand for very-high-speed access). These converging offers are specifically intended for micro-businesses and SMEs seeking all-in-one solutions.

They participate in the development of unified communications services for businesses and are characterized by the convergence of mobile and fixed-line telephony, and the development of collaborative tools (professional messaging service, instant messaging, videoconferencing, sharing tools).

Beyond business services, the operators with a presence on the B2B market offer adjacent and supplementary services, including unified communications services and collaboration tools, as well as call center services or internet presence management, and managed security services, whether hosted or not, which accompany internet protocol (IP) communications services and remote work (including online backup, firewall, management and protection of secure access terminals to resources located in a business network).

In terms of connectivity, the market features a growing penetration of fiber optics, which is linked to the increase in data consumption.

Voice

The B2B segment for voice call services is extremely sensitive to price trends; customers are well informed and contracts are relatively short-term (one year). Being able to face the competition efficiently depends in part on the density of the network, and certain competitors of the Group have a broader and denser network.

In recent years, the B2B market has experienced a structural change marked by a move from traditional switched voice services to VoIP services.

Data services

On the B2B segment, for data services, being able to transfer large amounts of data and to have access to the newest technologies is extremely important to customers. On the data market, consumption has significantly increased and, currently, customers are often looking for combined infrastructure and software solutions.

Price pressure has been strong in this competitive market. Conversely, the use of data transmission services has significantly increased. The Group is expecting the demand for data services and B2B bandwidth to continue growing, specifically due to the following factors:

- the convergence between voice call and data services, such as VoIP, which leads to greater demand for solid network solutions;

- an increase in the use of smartphones with a flat rate including data;

- the centralization of IT equipment for businesses with operations at several sites, including combining servers at a single site, which increases the connectivity needs of peripheral sites of these businesses;

- the emergence of new professional applications, such as videoconferencing;

- the demand of larger businesses for quicker access, growing virtualization, data centers and improved security services;

- the increase of digitalization in public administrations;

- greater use by medium-size businesses of complex data services, such as cloud computing; and

- professionals' increased use of internal wireless networks.

Customers are currently seeking to optimize and streamline their needs as much as possible through the use of data centers. Large corporations have a tendency to seek out specialized network solutions to control their chain of services end-to-end, and often have their own infrastructure. Other businesses are more apt to act according to their needs:

(i) with "infrastructure as a service" (or IaaS/cloud) solutions to meet their needs in terms of data availability, storage and security. "Infrastructure as a service" can now offer these businesses data storage and safety solutions which would otherwise be too costly; or

(ii) a tailored and secure infrastructure up to the "middleware" ("software as a service") level.

The Group is currently facing competition from software providers and other IT providers of data and network solutions, and the line between them and the suppliers of data infrastructure and solutions like the Group has become increasingly blurred. Partnerships between IT providers and infrastructure providers are becoming more and more common, and are an additional source of competition.

Particular growth is expected in data hosting outsourcing services. The complexity and growing management costs of IT systems are in effect pushing businesses to turn towards cloud solutions. This refers to a set of resources and services that are provided remotely, and which are thus accessible, for the user, in a flexible manner, on various terminals. Operators have already developed partnerships on "independent" cloud projects on French territory. This so-called "independent" cloud is intended for administrations, but also for private French businesses. It should allow sensitive information such as personal administrative data, information linked to e-health or even financial information requiring maximum security, to be stored.

The B2B market also includes the Internet of Things. The Internet of Things covers a set of connected objects: in the broad sense, this includes communication terminals, but also inert objects, equipped, for example, with RFID chips, and machines on which built-in electronic systems equipped with SIM cards have been installed (M2M). These connected objects and machines are being developed in a certain number of adjacent markets for uses in specific sectors, such as home automation, health and security, but also energy and transportation, which are at the heart of digital city projects. Accordingly, in France, the number of M2M SIM cards has gone from 3.4 million in late 2011 to 6.9 million in late 2013, to 15.7 million as of March 31, 2018 (Source: ARCEP).

Customers

The B2B segment is also defined by the different needs of customers, which vary according to a business' size. The major businesses are sophisticated customers, and are very sensitive to price trends. Speed, capacity, security and reliability are also very important. They have a tendency to unbundle services, and frequently subject them to invitations to bid. The smallest businesses are more likely to group them and ascribe more importance to the provider's proximity.

Wholesale market

The wholesale telecommunications market includes three sectors: voice call connectivity wholesale services (voice), data connectivity wholesale services and dark fiber infrastructure wholesale services. The Wholesale segment of voice services includes fixed-line and mobile call termination services, as well as interconnection for operators whose switched voice network is underdeveloped or non-existent. The wholesale data services segment includes the transportation of data for operators whose network is underdeveloped or non-existent, as well as mobile network services for MVNO operators. The new dark fiber optic infrastructure wholesale market, based on the sale of fiber optic connections, with no service linked to voice or data, is being developed in parallel with the roll-out of FTTH and 4G, and primarily involves horizontal optical fiber links and connection to the backbone. The Group's major competitor on the French wholesale communications market is Orange. The Group is likewise in competition with conglomerates of telecommunication operators and construction businesses, such as Covage, Altitude, Vinci, Eiffage and Axione (which can put optical fiber cables in their construction works in order to rent them on the wholesale market) as well as with public infrastructure networks.

In France, Orange holds a leading position on the wholesale telecommunications market and on the wholesale data market, in which local operators play an important role.

- Voice. The wholesale market for voice call services is extremely volatile. Operators generally launch invitations to bid annually and choose the provider only according to availability and prices, due to the lack of difference in terms of quality of services between operators in the voice call services sector. Competition consequently primarily occurs for the prices and density of the network, as well as based on the flexibility of operators and their capacity to offer tailored solutions to their customers. On the wholesale voice segment, pricing is generally based on the increased cost pricing model, with interconnection rates established by ARCEP. The regulated interconnection rates have decreased as the telecommunications sector has matured. See "*Regulation—The European regulatory framework of electronic communication*". The wholesale voice market likewise includes wholesale resales for MVNOs and mobile roaming:

- Wholesale resales for MVNOs: The provision of end-to-end mobile services for MVNOs is a major issue for operators, and the degree of competition for these services has intensified in recent years. The MVNO wholesale market has evolved, especially after the signing of the first "Full MVNO" contracts in 2011. The status of "Full MVNO" allows virtual operators (for example, NRJ Mobile) to issue their own SIM cards, to have access to the central database managing subscribers' rights, as well as to certain elements of the network backbone. This model offers MVNOs greater control of services and increased commercial autonomy, but also entails higher costs for them (roll-out, technical maintenance). Moreover, the MVNO agreements have affected the flows of traffic and have led to an increase in the volumes of fixed-line telephony traffic to mobile, which generates higher wholesale prices. In particular, Free's arrival onto the mobile market in January 2012 has led to a significant increase in call volume from mobile to fixed lines, as well as intra- mobile.

- Mobile roaming: In order to continue offering mobile communication services outside of their country of origin, operators also negotiate roaming agreements. The communication services within the European Union are subject to price caps on both the retail and wholesale markets. In France, mobile roaming services exist between national operators in so-called "white zone" geographical regions, in which a single operator has rolled out a network and takes in the traffic of other network operators. The roll-out of the mobile network as well as the welcome services related thereto are supervised by ARCEP.

- Data services. The wholesale market for data services is less volatile than the voice call services market. Competition is primarily dependent, aside from price, on the quality of services and technological advances.

- Infrastructure. The wholesale market for dark fiber optic infrastructure is more open than the voice connectivity and data wholesale markets, given that the provision of these services does not require having a dense national network, and does not include any service that would require technical expertise. For example, certain cities in France have constructed their own local fiber optic networks and are consequently wholesale providers of infrastructure (i.e., they rent the optical fiber to telecommunications operators).

The growth of the wholesale market is a result of the growth in the demand for network capacity, which has significantly increased in recent years.

Another French market trend consists of developing public-private partnerships between local authorities and infrastructure operators to install or modernize FTTB networks, or roll-out vertical FTTH/FTTO networks. The Group was already selected and hopes to be selected again in the future as the entity in charge of constructing certain new networks, or improving the existing ones. See *"—Wholesale Infrastructure Services*".

Operators and consortia of operators and construction businesses have also begun to roll out their FTTH vertical fiber networks in residential buildings in order to rent the usage right from these networks to other telecommunications operators in conformity with the so-called status of building operators through public-private partnerships with local authorities, among other things. The Group intervenes in this area thanks to the relationships it has built from its public services activity, since this is one way of maintaining and building relationships with its customers.

BUSINESS OF THE GROUP

Overview

The Group is the second largest telecommunications operator and a leading alternative operator in France by revenues and number of subscribers. The Group has major positions in all segments of the French telecommunications market, including mobile services, mobile equipment, fixed, wholesale and media, and offers a full range of broadband internet, fixed-line and mobile telephony, content and audiovisual services through its leading fiber/cable and mobile networks. As of March 31, 2018, the Group had approximately 14,440,000 mobile B2C subscribers and approximately 6,014,000 total fixed B2C unique customers. The Group generated revenues (including IFRS 15 impact) of €10,736 million and Adjusted EBITDA (including IFRS 15 impact) of €3,749 million for the twelve months ended March 31, 2018. See "*Summary Financial Information and Other Data—Adjusted EBITDA and Pro Forma Adjusted EBITDA of the Group*".

The Group currently offers B2C services under the SFR and Red brands. The Group also offers B2B services under the SFR Business brand. The Group owns and operates an extensive mobile network, achieving a 4G mobile coverage of more than 96% of the population in France as of March 31, 2018. The Group has a state-of-the-art fiber/cable infrastructure, consisting of 80,000 km of fiber optic cable and more than 166 metropolitan loops as of March 31, 2018, passing approximately 11,239,000 fiber/cable homes as of March 31, 2018.

The Group tracks the performance of its business and further analyzes its revenues by segment, which, with effect from January 1, 2018, include "mobile services," "mobile equipment," "fixed," "wholesale" and "media." See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Basis of Presentation—Operational Activities*" for a discussion of the revised presentation of its operational activities.

Mobile

The Group is the second-largest operator of mobile telephony in France by number of subscribers, with approximately 14,440,000 mobile B2C subscribers as of March 31, 2018. According to the French National Frequencies Agency, the Group also had the most 4G antennas in service in France as of March 31, 2018. Due to its strong market position in the mobile telephony segment, the Group is one of the primary convergence operators in France with an attractive "quadruple-play" offer (consisting of pay-TV products, broadband internet, fixed telephony and mobile services).

The Group accelerated the build-out of its 4G network over the last two years and achieved 4G population coverage of 96% in France as of March 31, 2018. The Group aims to expand its 4G network coverage to 99% of the French population by the end of 2018. The Group is already preparing for the introduction of the next generation of mobile telephony with 5G technology. After the first tests carried out in 2016 and 2017, the Group with one of its partners, Nokia, were the first in France to make a 5G New Radio connection using the 3.5 GHz frequency band. In addition, the Group has relationships with the industry's significant mobile equipment providers, and is able to offer customers with top-of-the-market mobile equipment.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's mobile services segment generated €1,020 million and €1,011 million of revenue, respectively, and the Group's mobile equipment segment generated €167 million and €183 million of revenue, respectively.

Fixed

As of March 31, 2018, the Group's fixed B2C subscriber base passed approximately 24,599,000 homes of which approximately 11,239,000 homes are fiber/cable enabled. Over the past four years, the Group increased its fiber/cable deployment and upgraded a substantial part of its fiber/cable networks. For example, as of March 31, 2018, the Group's fiber/cable networks are largely DOCSIS 3.0 enabled, which allows it to offer customers high broadband internet access speeds and better HDTV services across its footprint. We believe the Group is also France's leading fiber/cable provider, with approximately 11,239,000 fiber/cable homes passed as of March 31, 2018, and intends to continue the expansion of its fiber network in France through engagement with local communities and government and capitalize on its past investments in improved fiber/cable infrastructure. The Group is able to upsell its existing DSL subscribers with fiber/cable broadband offers due to the overlapping fiber/cable and DSL networks acquired as a result of the SFR Acquisition and, moreover, the natural churn rate of broadband subscribers draws existing DSL subscribers to the Group's cable and fiber products. This shift of subscribers from DSL has allowed, and is expected to continue to allow, the Group to reallocate investment expenses previously earmarked for DSL infrastructure to accelerating the rollout of its fiber/cable network.

In the B2B service area, the Group benefits from its extensive combined fiber/cable and DSL network and strong customer relationships and has the ability to respond to the growing demand of medium-sized businesses for increasingly sophisticated voice and data services. The Group offers data services, including IP VPN services (virtual private network on IP), LAN to LAN (local network), internet, security services, hosting and "cloud computing" and voice services, in particular voice call services, VoIP and Centrex.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's fixed segment generated €1,028 million and €981 million of revenue, respectively.

Wholesale

The Group is the largest national alternative wholesale services player to the incumbent provider by revenues and number of subscribers. The Group offers a broad portfolio of wholesale products across the entire spectrum of the wholesale market including wholesale connectivity services for fixed-line and mobile voice calls, wholesale connectivity services for data, wholesale fiber infrastructure services as well as triple-play DSL white label packages and very-high-speed offers to a significant base of local, virtual, national and international operators.

On March 12, 2018, Altice Europe and the Group 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. The international wholesale voice carrier business contributed €240 million to revenues of the Group and €10 million to Adjusted EBITDA of the Group in the year ended December 31, 2017, and €40 million to revenues of the Group and €2 million to Adjusted EBITDA of the Group in the three months ended March 31, 2018.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's wholesale segment generated €318 million and €290 million of revenue, respectively.

Media

In furtherance of its convergence strategy, the Group is focused on delivering high quality content offerings to complement its fixed and mobile services, including producing proprietary content. This strategy is evidenced by its investments in French businesses NextRadioTV, through which the Group produces high quality television channels such as BFM TV and RMC Sport Access, and SFR Presse, through which the Group offers various proprietary publications such as *L'Express* and *Libération*.

In the three months ended March 31, 2017 and the three months ended March 31, 2018, the Group's media segment (which comprises revenues generated by the proprietary content produced by the Group, as described above) generated €127 million and €111 million of revenue, respectively.

In addition, the Group is focused on supplementing its own content offerings with premium content produced by third parties, including high quality local content and exclusive premium content. For example, Altice Europe has acquired the rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League and English Rugby Premiership, which are commercialised in France via exclusive SFR branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV. Moreover, in May 2017, the Group successfully acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League football fixtures in France. The rights to broadcast the UEFA Champions League cover the period from 2018 to 2021, while the rights to broadcast the English Premier League cover the period from 2017 to 2020. The Group also announced the launch of a single brand this summer for all of its sports content: RMC Sport Access, set to replace SFR Sport channel with the Champion's League launch this summer. At the end of 2016, Altice Europe and the Group also announced strategic agreements with NBCUniversal International and Discovery which confer certain exclusive distribution rights and further expansion of the Group's premium content offerings in France. In April 2017, the Group announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France, which also comprises a print magazine, mobile application and a recipe blog.

The Group intends to continue to selectively invest in local and value-added premium content as well as sports broadcasting and distribution rights in the future to enrich its differentiated and convergent communication services from those of its competitors.

Description of the Group's Operations

B2C Market

Presentation of the B2C activity

Overview and key figures

The Group believes it is the leading alternative telecommunications operator in France in the B2C market. As of March 31, 2018, the Group had approximately 14,440,000 mobile B2C subscribers and approximately 6,014,000 total fixed B2C unique customers. With more than approximately 2,327,000 fiber/cable unique customers, the Group believes it is a leader in the very-high-speed fixed broadband segment in France.

The table below details the Group's key operating data as of the years ended December 31, 2015, 2016, 2017 and as of and for the three months ended March 31, 2017 and 2018.

	As of and for the year ended December 31,			**As of and for the three months ended March 31,**	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands except percentages and as otherwise indicated)				
Homes Passed[(1)]	**26,473**	**25,732**	**24,921**	**25,744**	**24,599**
Fiber/cable homes passed	7,711	9,316	10,951	9,634	11,239
Fixed B2C					
Fiber/cable unique customers[(2)]	1,814	2,038	2,231	2,083	2,327
Fiber/cable customer net adds	267	209	193	45	96
Total fixed B2C unique customers	6,353	6,113	5,943	6,079	6,014
Total fixed B2C customer net adds	(224)	(254)	(171)	(35)	71
Fixed ARPU[(3)] (€/month)	35.1	35.9	35.8	35.9	34.7
Mobile B2C					
Postpaid subscribers	12,604	12,337	12,535	12,405	12,774
Postpaid net adds	(400)	(267)	199	68	239
Prepaid subscribers	2,533	2,288	1,842	2,108	1,666
Total mobile B2C subscribers[(4)]	15,137	14,625	14,378	14,514	14,440
Mobile postpaid ARPU (€/month)	22.5	22.6	22.7	25.5	24.1

[(1)] A home is considered "passed" if it can be connected to the transmission system with no additional extension to the network. Total homes passed in France includes unbundled DSL homes outside of the Issuer business's fiber/cable (FTTH / FTTB) footprint.

[(2)] Fiber/cable unique customers represents the number of individual end users who have subscribed for one or more of the Issuer's fiber/cable based services (including pay television, broadband or telephony), without regard to the number of services to which the end user subscribed. It is calculated on a unique premises basis. The total number of fiber/cable customers does not include subscribers to either the Issuer's mobile or ISP services. Fiber/cable customers for France excludes white-label wholesale subscribers and includes a total of approximately 19,000 La Poste TV customers from a new revenue sharing agreement within the B2C fixed base from the fourth quarter of 2016 (approximately 4,000 net additions in the fourth quarter).

[(3)] ARPU is an average monthly measure that the Issuer uses to evaluate how effectively the Issuer is realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two.

[(4)] Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Issuer's mobile networks.

Brand policy

In 2016, the Group streamlined its brand portfolio by focusing on two brands: SFR for the "all-inclusive" premium offers and Red for "*à la carte*" digital offers. Offers under the Numericable and Virgin Mobile brands are no longer marketed.

A strategy focused on very high-speed broadband and high-quality content

The Group's ambition is to offer its subscribers a better content "consumption" experience at all times, in all places and from all terminals. This is reflected in our ambitious policy of investment in access networks. As of March 31, 2018, the Group's fixed B2C subscriber base passed approximately 24,599,000 homes. The Group increased the number of homes passed by fiber/cable to approximately 11,239,000 as of March 31, 2018 and intends to continue the expansion of its fiber/cable network in France and capitalize its past investments in improved fiber/cable infrastructure.

The Group is also investing heavily in the development of its very-high-speed mobile network. 2017 was a year marked by significant deployments for the Group, which positions itself as the leader in opening 4G sites. The Group covers 96% of the population in 4G as of March 31, 2018. The Group intends to expand its 4G network coverage to 99% of the French population by the end of 2018. Moreover, according to the French National Frequencies Agency, the Group had the most 4G antennas in service in France as of March 31, 2018.

This ambition is also driven by product innovation. In late 2015, the Group launched a new "all-in-one" box with innovative functions and advanced usages, at the heart of the home ("LaBox"). The box is notably equipped with a fiber 1 GB/s modem, a TV 4K/UHD set-top box, a 500 GB hard disk for recording and live-broadcast control, as well as 802.11ac Wifi. Alongside the launch, we also unveiled a new simple and ergonomic interface designed to offer the best multi-screen TV viewing experience and meet the needs of our subscribers' families as well as a new version of the SFR TV application, which offers continuity at home and when on the move. In 2016 and 2017, product innovation continued with the launch of several new pieces of equipment, including a new DSL and FTTH modem offering the latest generation of Wifi.

Finally, the Group is proactively developing a policy of enriching the content offered to its customers. In 2016, the Group launched new offers with a variety of content, structured around four packages—SFR Presse, BFM, SFR Sport and SFR Play—accessible on all screens, at home and on the move.

- SFR Presse offers an attractive offer of diversified magazines and newspapers, unlimited and digital, accessible both online and offline.

- BFM offers access to high quality live news and streaming including all BFM channels (such as BFM Business, BFM Sport and BFM Paris) and international news with i24 channels in three languages.

- SFR Sport, a collection of five exclusive sports channels, offers the largest sporting events (Premier League, Premiership rugby, Portuguese Liga, French basketball, combat sports, extreme sports, and others) purchased from an affiliate of the Group. The Group retains exclusive rights to broadcast and distribute premium sports events, including the French Athletics Federation, English Premier League (from 2017 to 2020), French Basketball League, English Rugby Premiership and the UEFA Champions League and UEFA Europa League (from 2018 to 2021). RMC Sport Access is the Group's new sports brand set to replace SFR Sport channel with the Champion's League launch this summer.

- SFR Play offers a set of regularly enriched premium content, including a Subscription Video On Demand ("SVOD") service and two premium channel packages. SFR Play includes an extensive array of HD channels as well as the largest VOD catalog in the market, with over 30,000 programs available, and an extensive catalog of HD and 4K/UHD content. The SVOD service includes exclusive and/or unabridged TV series (such as "Medici: Masters of Florence"), cinema (with more than 1000 films), youth and family content. SFR Play is one of the leading SVOD platforms in France.

The Group also offers a set of over 200 channels and TV services (including more than 100 in HD and more than 60 in replay, some exclusive). In 2017, the Group became the exclusive broadcaster in France of four Discovery channels (Discovery Channel, Discovery Science, the new Discovery Investigation channel launched on December 15, 2016 exclusively by the Group, and DiscoveryFamily), three entertainment channels, series and NBCU cinema (13th Street, Syfy, E!) and a new series and cinema channel created and launched by the

Group in the same year. In addition, the Group will be able to offer films produced by NBCUniversal, including the next installments of its popular franchises such as “Jason Bourne”, “Fast & Furious” and “Despicable Me”. The Group also recently announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France which also comprises a print magazine, mobile application and a recipe blog.

Fixed activity

Overview

The Group, through its various brands and products, offers a number of fixed-line telecommunications services. These are mainly available via fixed-line broadband or very-high-speed broadband internet and its subscriber premises equipment (i.e. a modem and/or set-top box). Our services, in addition to unlimited broadband and very-high-speed broadband internet, include fixed telephony, IP television and access to video content. Our fixed services are generally offered in double-, triple- or quadruple-play bundles over different access technologies (ADSL, VDSL, FTTB and FTTH) depending on particular offers and customer eligibility. The broadband speed offered to subscribers varies according to their access technology and can reach up to 1 GB/s.

As of March 31, 2018, all or part of our B2C services were marketed under two brands: SFR and Red. As of March 31, 2018, the Group had approximately 6,014,000 total fixed B2C unique customers for its fixed-line broadband and very-high-speed broadband offers. The offers below represent fixed offers provided by the Group as of March 31, 2018.

SFR brand offers

(a) Fixed-line internet offer (one-play)

The Group offers broadband internet (ADSL or VDSL depending on subscribers’ eligibility), that can be bundled with a preselected telephony service. The internet access service (with unbundling and including pre-selection) is offered at €20.90 per month.

The “4G Box” is reserved for homes that have low ADSL speeds but good 4G coverage. The SFR Box 4G includes 200 GB of internet fair use and up to 110Mbit/s/. The SFR Box 4G is offered at €32.99 per month at an unbundled price.

(b) Internet and telephony bundled offers (double-play)

The Group offers broadband internet services (ADSL or VDSL depending on subscribers’ eligibility) as part of double-play bundled offers which also include unlimited telephony services to fixed lines in metropolitan France, the French Overseas Territories and to more than 100 international destinations. These offers can be bundled with unlimited telephony options to mobile lines and to other international destinations.

This “SFR Box” offer is available to (i) subscribers unbundled by the Group at the rate of €35 per month and (ii) subscribers bundled by the Group at the rate of €40 per month, in each case including the “TV on smartphones, tablets and computers” service.

(c) Internet, telephony and IP television bundled offers (“triple-play”)

Triple-play offers comprise the “double-play” services above and an IP television service. The Group offers three ranges of triple-play offers: Starter, Power and Premium. Subscribers eligible for FTTx technology have access to triple-play offers only, including very-high-speed broadband internet access, television services as well as telephony services.

These offers notably include broadband internet (ADSL, VDSL, FTTB fiber technology with coaxial termination or FTTH fiber optic technology, depending on eligibility), from 10 GB to 1 TB of “SFR Cloud” storage, unlimited calls to fixed lines and, in the case of the Power and Premium offers, mobile calls in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to “SFR TV” packages, including 160 channels and services under the Starter offers, 200 under the Power offers and 210 under the Premium offer, of which over 130 are accessible in multi-screen option with the SFR TV application.

These offers are available (excluding promotions) at €39 per month for the Starter package, €44 per month for the Power package and €54 per month for the Premium package, including the set-top box. The set-top box also provides access to several add-on services, such as catch-up television, program guide and VOD rental store.

Customers can also subscribe to pay-TV options including over 200 additional channels, optional TV Passes (Découverte, Jeunesse, Cinéma, BeIn Sports, OCS, Canal+, RMC Sport Access), and ethnic programming packages. The Netflix SVOD service is available for triple-play customers. The SFR Fiber set-top box includes a native Netflix app.

(d) "Home by SFR" offer

The Group offers two products as part of our "Home by SFR" range, an automation and home surveillance service: the "Video Alarm Package" (€9.99 per month) and the "Premium Video Alarm Package" (€19.99 per month). The Video Alarm Package includes a management center for connected equipment, a wide-angle camera, an internal siren, a smoke detector, an opening detector and a remote control. The "Premium Video Alarm Package" includes the equipment mentioned earlier, a control keyboard, a 3G key, two motion sensors and 24/7 Europe Assistance support. The camera may be managed remotely from a computer or the Home by SFR application. "Home by SFR" customers can also purchase a set of additional accessories, as well as a "Heating Energy Pack" for €149, allowing intelligent, remote control heating management and usage monitoring.

(e) Convergent fixed-line/mobile offers ("quadruple-play")

To meet customer household needs, the Group offers the opportunity to combine fixed-line and mobile offers. These offers are provided at attractive rates through "Multi-Pack" discounts of up to €10 per month per mobile line.

In 2016, the Group launched SFR FAMiLY!, an innovative product designed for the family. SFR FAMiLY! allows customers to share their storage (from 10 GB up to 100 GB according to each customer's needs) and contents (SFR Presse, BFM, SFR Sport, SFR Unlimited Play VOD and Extras) with family members. The owner of the line can easily manage and control, via an application, children's usage and Internet browsing. By bringing fixed and mobile lines closer to the home, customers can also benefit from a discount from €5 to €10 per month on their mobile bill depending on the price plan of the additional line.

These convergent offers are based on our broadband price plans, and notably include broadband internet (ADSL, VDSL, FTTB fiber technology with coaxial termination or FTTH fiber optic technology, depending on eligibility), from 10 GB to 1 TB of "SFR Cloud" storage, unlimited calls to fixed lines and, in the case of the Power and Premium offers, mobile calls in France and more than 100 destinations, unlimited calls to cell phones in France, North America and China, as well as access to "SFR TV" packages, including 160 channels and services under the Starter offers, 200 under the Power offers and 210 under the Premium offer, of which over 130 are accessible in multi-screen option with the SFR TV application.

These offers are available (excluding promotions) at €39 per month for the Starter package, €44 per month for the Power package and €54 per month for the Premium package, including the set-top box. The set-top box also provides access to several add-on services, such as catch-up television, program guide and VOD rental store.

Red brand offers

Red by SFR has been marketing an internet access offer, 'Red Box', that provides a fiber offer up to 200 Mbps at the rate of €20 per month or an ADSL/VDSL offer at the rate of €15 per month.

These offers provide access to the Group's fixed-line very-high-speed broadband, DSL or FTTx (if eligible) networks, unlimited calls to fixed lines in metropolitan France and to more than 100 destinations in the world. A number of other optional services are available, including a TV option, available for €2 per month, providing access to 27 channels and a catalog of pay-TV and VoD options, via a TV set-top box or €4 per month, providing access to 100 channels and a catalog of pay-TV and VoD options.

Mobile activity

Overview

The Group serves the entire French mobile market through its pre-paid and post-paid offers. Post-paid offers account for the bulk of our mobile activity, with approximately 12,774,000 post-paid subscribers, or approximately 88% of our B2C mobile subscriber base, offers as of March 31, 2018. In the post-paid market, the Group offers a full range of voice and data solutions through its brands SFR and Red, covering all of the market's requirements. These offers are provided with or without commitment or a subsidized handset, and with premium or no-frills services. The offers below represent mobile offers provided by the Group as of May 31, 2018.

SFR brand offers

(a) Post-paid premium offers—the Group's 4G packages

Our SFR brand offers six premium, post-paid, 4G mobile telephony packages with rates ranging from €9 per month (for our Starter 2H+40 Mb, which includes a 12-month commitment) to €90 per month (for our premium 'Unlimited' offer, which includes calls to and from international locations, a subsidized handset and a 24-month commitment). All of our offers include the option of a subsidized handset, unlimited SMS and MMS and come with a variable volume of voice and internet data according to the selected package. Subscribers to these packages have access to the Group's very-high-speed broadband internet network (3G and/or 4G/4G+).

At entry level, we offer two Starter packages are offered with calls within France ranging from 2 hours to unlimited, and from 40MB to 100 MB per month of mobile internet data in France. For more advanced needs, four packages are offered: Power 10GB, Power 50GB, Power 100GB and Premium "Unlimited". These packages include unlimited calls in France and French Overseas Territories, from 10 GB to "Unlimited" mobile internet, SFR Cloud (100 GB of storage), and access to SFR TV. All of these packages also offer varying voice and data usage from abroad, the extent of which depending on the package.

Customers can also choose one or several content options, including RMC Sport Access, SFR Presse, SFR Ciné-Séries and Napster. With respect to the broadband offer, Group customers benefit from a special price for these content options. Subscribers to the Group's 4G packages are eligible to receive multi-pack discounts if they also subscribe to a box offer and if they are also eligible for the FAMiLY! offer.

These offers are available across all of our SFR brand's distribution channels.

(b) Remote access offers—"Connecté Partout" ("Connected Everywhere")

Three offers are available as part of our remote access offers. The pricing for these offers includes €8.99 per month for 2 GB of internet, €19.99 per month for 15 GB and €35.99 per month for 30 GB. These offers include internet usage in Europe and in the FOT, as well as SFR WiFi and the SFR TV services.

For subscribers that wish to buy a set-top box or tablets to accompany these offers, the Group offers one "Box de Poche 4G" and two iPad tablets.

For occasional users, pre-paid "ready to surf" top-up kits are available at prices between €5 and €35. These offers include data between 300 Mb and 8 GB depending on the customer's needs.

(c) "SFR La Carte" pre-paid offers

Pre-paid packages are offered under our "*SFR La Carte*" brand. After a SIM card is purchased, at the price of €3.99, it can then be topped up by vocal server, internet, purchasing coupons or tickets at physical points of sale (for example, tobacco shops, newsagents, SFR spaces and certain major food retailers) or through ATMs of certain banks that are partners of the Group. Several pre-paid top-up ranges are available to subscribers, offering voice, SMS, MMS, international calls and data packages, sold for between €5 and €95 according to their type and the valid term of their credits (which can be from five days to five months).

Other available products also include mobile+ SIM card packs or tourist kits (SIM card with adapted content included).

Presentation of the Red brand offers

Commitment-free and handset-free post-paid packages are offered under the Red brand for between €5 and €20 per month. These offers are available upon subscription mainly via the website redbysfr.fr, with the lines also being managed online via the same website. Subscribers with Red packages have access to the same network technologies as subscribers with SFR mobile offerings. However, Red subscribers do not enjoy services linked to SFR mobile offerings and are not eligible for multi-pack discounts.

Network

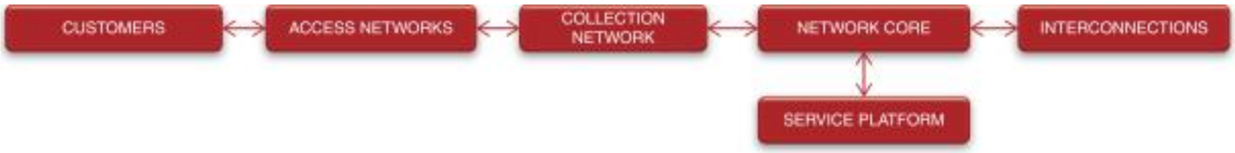
With the largest fiber/cable network in France, passing approximately 11,239,000 homes and extending over more than 1,800 municipalities as of March 31, 2018, and a leading mobile network, the Group aims to become the national leader in the convergence of very-high-speed fixed-line and mobile technologies. Our ability to provide new or enhanced fixed-based services, including HDTV and VoD television services, broadband internet network access at increasing speeds and fixed-line telephony services as well as UMTS, 3G and 4G mobile services to additional subscribers depends in part on our ability to upgrade our (i) cable and DSL networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network and (ii) mobile networks by building-out our UMTS-network and investing in LTE as well as maintaining agreements with third parties to share mobile networks.

In the area of very-high-speed broadband, the Group intends to maintain its competitive edge and contribute to the success of the French government's very-high-speed internet plan through significant investments into our very-high-speed network and aims to expand its fiber coverage to 22 million homes by 2022. As a result of this investment, we intend to continue to lead the market and support B2C and B2B migration from ADSL to fiber technologies. Over the last four years, we have increased our fiber deployment and upgraded a substantial part of our cable networks. For example, as of March 31, 2018, our cable networks are largely DOCSIS 3.0 enabled, which allows us to offer our customers high broadband internet access speeds and better HDTV services across our footprint.

The Group aims to deliver quality experience in broadband and high-speed broadband to all its subscribers both for fixed-line and mobile services. As a result, the Group is investing in its own network infrastructure in order to be able to develop quality, innovative and convergent services while reducing its costs. The Group's networks not only allow the transmission of both fixed-line and mobile voice and data traffic across France, but they are also interconnected to the networks of the rest of the world due to the Group's interconnection arrangements or through transiting carriers.

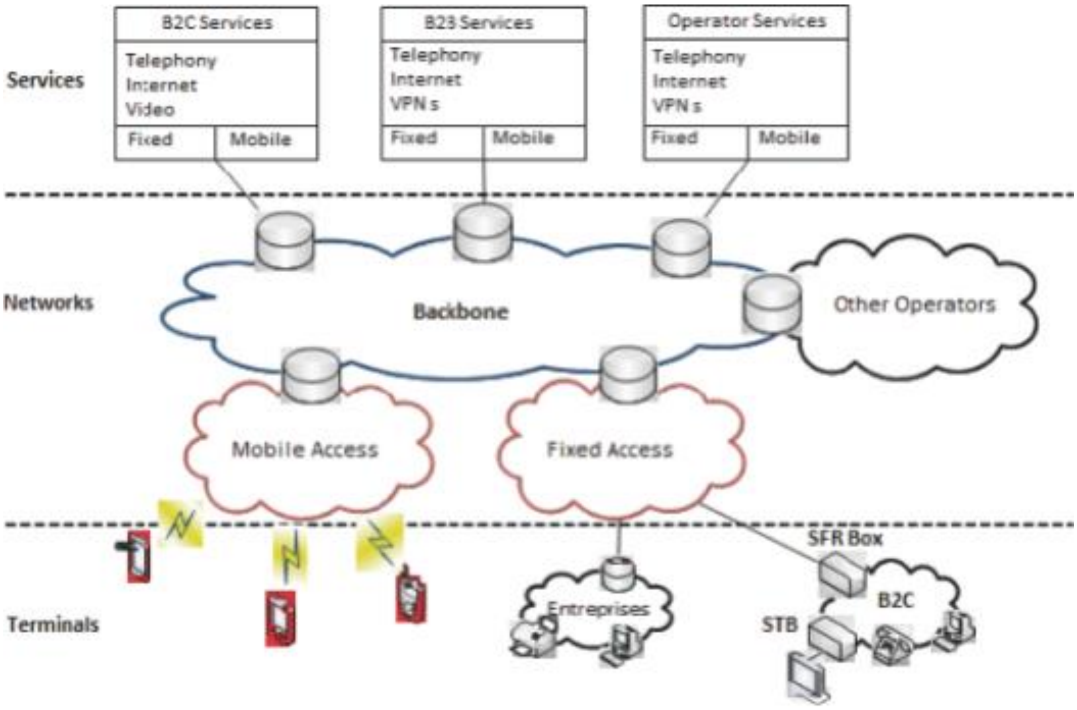
The Group intends to continue investing in cutting-edge technologies that make it possible to anticipate market changes and meet future traffic needs. For example, on May 16, 2018, the Group acquired 100% of the share capital of Altice Technical Services France from Altice International, a subsidiary of Altice Europe. See "*Summary—Recent Developments—Closing of the previously announced acquisitions of Altice Customer Services and Altice Technical Services France*" for more information. Altice Technical Services France provided services and equipment relating to the deployment, maintenance and modernization of the Group's telecommunications networks.

Overview of architecture of a telecommunications network



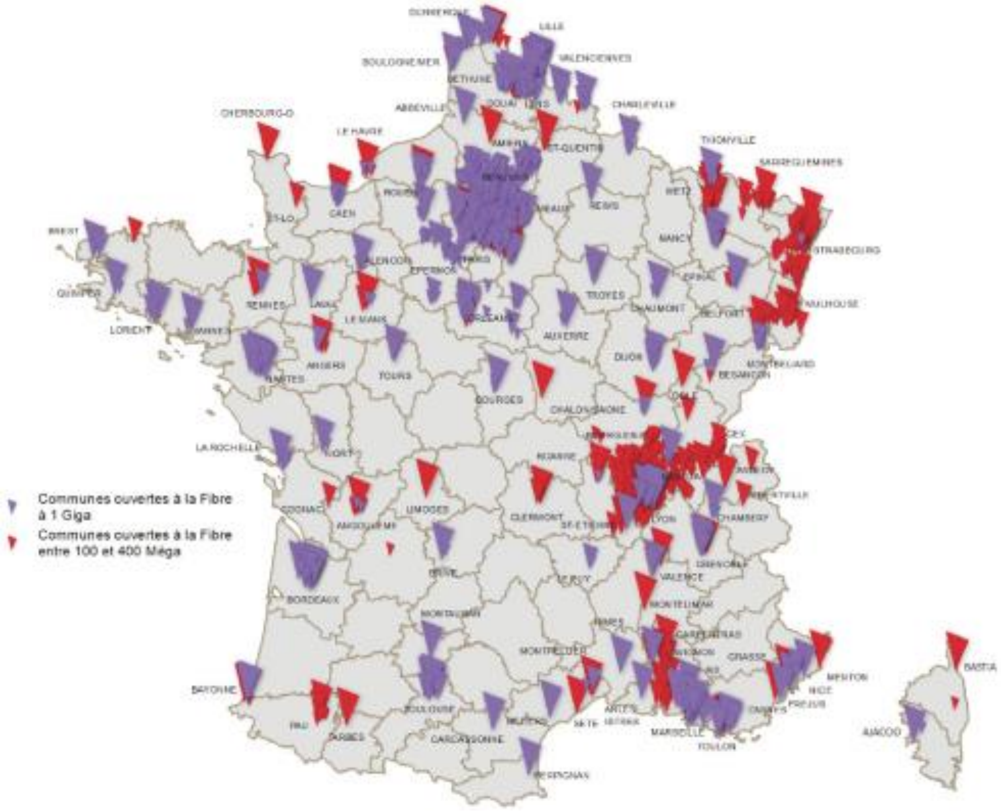
The pace of technological development and evolution in the telecommunications sector is intense and will continue to intensify in the face of rapid changes in consumer internet usage, both through fixed-line and mobile mediums. As a result, the Group has sought to streamline its networks over the past several years.

Overview of the Group's network


Services
B2C Services
Telephony
Internet
Video
Fixed
Mobile
B2B Services
Telephony
Internet
VPN s
Fixed
Mobile
Operator Services
Telephony
Internet
VPN s
Fixed
Mobile
Networks
Backbone
Other Operators
Mobile Access
Fixed Access
SFR Box
Terminals
Entreprises
B2C
STB

Fixed-line network

Fiber coverage as of March 31, 2018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MARSEILLE
AJACCIO
CARCASSONNE
TOULON
PERPIGNAN
Communes ouvertes à la Fibre à 1 Giga
Communes ouvertes à la Fibre entre 100 et 400 Méga

Very-high-speed internet

With regards to very-high-speed internet, the Group is rolling out fiber in all existing technologies (FTTB and FTTH), with the goal of delivering the best quality very-high-speed internet to its subscribers. The Group is actively committed to the success of the French government's very-high-speed internet plan. With its fiber optic network, the Group provides its subscribers with bit rates of up to 1 GB/s.

The Group owns its network infrastructure, headends, access nodes and other parts of its access network, including the long-distance backbone (see "—*Backbone*", below). The technical installations in which the cables of the Group's network are installed (e.g. pylons) are owned by the Group or Orange (to which the Group has access by means of long-term indefeasible rights of use ("IRUs")). Several telecommunications operators can occupy or use the same technical installation or even the same telecommunications equipment, without affecting the quality of the service provided to end subscribers. As of March 31, 2018, the Group had the largest fiber/cable network in France with approximately 11,239,000 homes passed eligible for fiber/cable. The Group's fiber/cable services are already marketed in more than 1,800 municipalities across France and, in the three months ended March 31, 2018, more than 288,00 million new housing units and business premises were made eligible for access to the Group's fiber/cable network.

Fiber to the building ("FTTB")

With technical performance levels comparable to those of other FTTx technologies, FTTB is the most widespread technology in the world (including in the United States, Germany, Belgium, the Netherlands and other countries).

FTTB seeks to bring fiber optic as close to housing units as possible and to rely on the existing coaxial cable within buildings to connect the end subscriber to the fiber network. FTTB offers two key benefits: first, it allows for a simplified connection of subscribers and therefore a faster deployment of fiber in France, and secondly it offers a TV service quality recognized to be superior to all other available technologies.

Fiber to the home ("FTTH")

Since 2007, the Group has also been deploying its own subscriber connection links by means of FTTH fiber technology, which enables the delivery of bit rates of up to 1 GB/s. Our FTTH technology relies on a network of 500 optical nodes from which the final links depart to connect its private and business customers in optical fiber, enabling them to use Orange's copper connection links. FTTH technology presents a significant technical opportunity given that, as with FTTB, network speed is not technically limited by distances to network connection nodes, unlike other technologies such as VDSL where actual speed decreases as the distance between network connection nodes and the end-user increases.

A pragmatic approach to promote deployment

In order to meet the growing needs of users, the Group is taking a pragmatic approach to the deployment of its very-high-speed broadband offers. In both very densely populated areas itself, and in less densely populated areas by private partnership, the Group is continuing its fiber deployment where we are the leading operator and we continue to co-invest with Orange in areas where Orange is responsible for deployment. We also continue to deploy our very-high-speed network in less densely populated areas as part of public initiative networks with local authorities. In 2017, the Group was chosen by the Departements of Seine Maritime and Martinique to operate the new Public Initiative Networks that will allow more than 325,000 households to be connected to the Group's fiber network. The acceleration of the Group's fiber deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fiber subscriber trends as the addressable market for very high-speed broadband services expands.

DSL

In providing our DSL fixed-line broadband services, the Group relies on a DSL network of more than 6,850 unbundled main distribution frames ("MDFs") as of March 31, 2018. While the Group benefits from what has historically been very good DSL technology coverage, the Group also possesses the French market's largest fiber optic network and, as a result, is looking to support the migration of subscribers from ADSL to fiber optic technologies in order to meet the gradual increase in B2C and B2B subscribers' internet usage.

Mobile network

The Group's mobile access network has more than 15,500 radio sites (excluding mobile network sharing) as of March 31, 2018, each comprising a transmitter/receiver (the base station), transmission equipment and environment infrastructure (for example, pylons, technical rooms, energy workshops and antennas). These radio sites are relayed to the fiber optic backbone through fiber optic connections or radio connections owned either by the Group or through the network links we lease from Orange.

The Group has made investments in mobile frequencies from different mobile spectrum auctions organized by the French regulatory authorities. As a result, the Group has a diversified portfolio of frequencies (which support 2G, 3G and 4G technologies) and a spectrum allocation that covers our current and future mobile network requirements.

Following the spectrum auction organized by ARCEP in 2015 for the allocation of frequencies in the 700 MHz band, the Group expanded its spectrum portfolio with a new 5 MHz block. The Group's low frequency portfolio now comprises 25 MHz in total, broken down into 5 MHz in the 700 MHz band, 10 MHz in the 800 MHz band and 10 MHz in the 900 MHz band. Together with the 55 MHz the Group owns in high frequencies, the Group's total portfolio now has 80 MHz (after the refarming of the 1800 MHz band), making it one of the most advanced portfolios on the market. The Group thus believes it will be able to meet subscribers' coverage and performance needs, in particular in less densely populated areas, with respect to mobile internet and increasing data usage over the coming years.

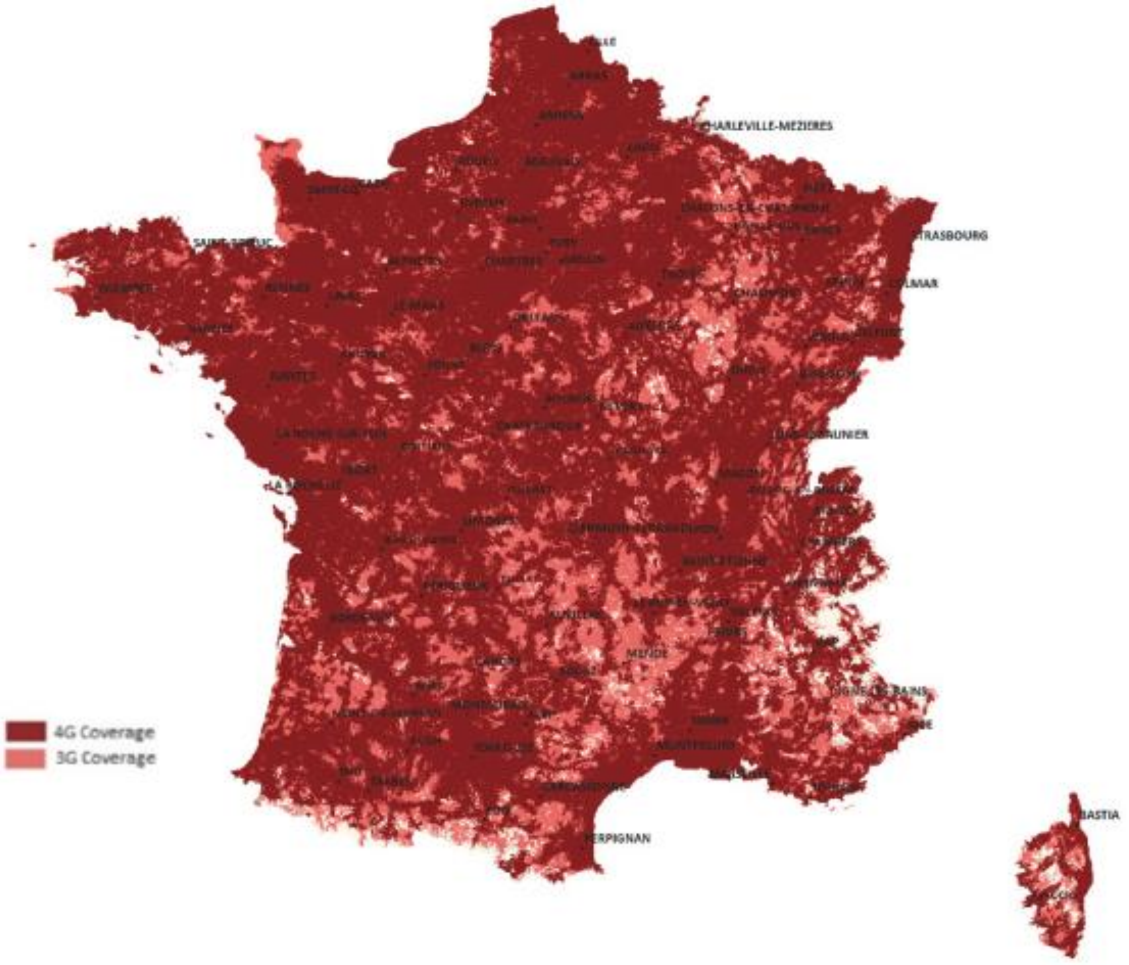
Mobile coverage

As a result of significant deployments of its radio sites, the Group aims to cover all mobile connectivity needs in mainland France. As of March 31, 2018, the mobile network of the Group covered 99.7% of the French population in GSM/GPRS (2G) and more than 99.8% of the population on the UMTS/HSPA (3G/3G+) network.

As of March 31, 2018 the Group has access to a 4G network accessible to 96% of the population of mainland France and was the first operator to launch 4G technology in France. The year 2017 was marked by a rapid pace of deployment. With 4,294 new sites, the Group is the operator who completed the largest number of 4G sites in 2017 and thus more than doubled its sites in one year. This significant deployment allowed the Group to increase its 4G coverage by 14% in one year and to cover 95% of the population by the end of 2017.

Mobile coverage as of March 31, 2018

With a view to increasing download speeds, making internet browsing more enjoyable and improving its service quality, the Group is also deploying 4G+ up to 300 Mb/s. Considered to be an updated version of 4G, 4G+ is able to deliver download rates of a maximum theoretical bit rates of 300 Mb/s due to the aggregation of 800 MHz, 1800 MHz and 2600 MHz frequencies. 4G+ technology makes it possible to speed up downloads and facilitates the sharing and viewing of HD content on the go.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CLERMONT-FERRAND
BORDEAUX
DIGNE-LES-BAINS
MONTPELLIER
MARSEILLE
CARCASSONNE
PERPIGNAN
BASTIA
4G Coverage
3G Coverage

4G deployment

Systematic deployment of Single-RAN technology

Access to the Group’s mobile network consists in total of more than 15,500 radio sites (excluding mobile network sharing), equipped with one or more items of transmission/reception equipment (base station), each dedicated to a single technology (2G or 3G) or latest generation equipment (“Single-RAN”), which enables 2G, 3G and 4G technology to be managed by means of a single item of equipment.

The Group uses the deployment of 4G technology as an opportunity to systematically replace its older antennas with Single-RAN technology, enabling its subscribers to benefit from a high-quality, very-high-speed network, while also making the most of the technical and financial benefits of Single-RAN technology.

Single-RAN technology provides certain technical advantages. First, it enjoys higher performance, both in terms of quality of mobile voice and capacity, due to its ability to use optimal technology (3G/4G) and frequencies (specifically 900MHz). The effectiveness and reliability of its connectivity are also optimized due to the use of unique transmission technology. Secondly, it facilitates technological evolution (such as the introduction of 3G 900 or 4G 1800 for example), due to a simple software development which require no intervention with or amendment to the physical technology components.

The use of the Single-RAN technology also provides certain economic benefits, particularly due to the reduced amount of equipment necessary in the Group’s mobile network. As a result, the deployment of Single-RAN technology reduces the amount of mobile network sites required in the Group’s mobile network, reducing the need for investment, and maintenance work on the Group’s network, generating operating savings, whilst at the same time facilitating technological evolution.

Finally, Single-RAN technology also improves customer experiences due to the increases in coverage and availability it delivers and the increased capacity over all frequencies and mobile technologies (2G, 3G and 4G).

Mobile network transformation program

In 2014, the Group launched a large-scale program to upgrade 2G, 3G and 4G technologies. This program is part of a development phase that is crucial to ensuring that the Group, in the future, has a quality mobile network.

Transforming our mobile network and doing everything possible to offer customers an optimal, and high-quality standard of service is one of the Group's key priorities. The transformation of our network requires that we replace our 2G and 3G equipment with next generation equipment, deploy 4G and re-allocate a portion of our 900 MHz frequencies to 3G, so as to offer better mobile internet coverage within buildings.

The transformation program will significantly increase the capacity of our 2G and 3G networks, improve coverage and service quality, allow us to deploy 4G in 800 MHz, 1800 MHz and 2.6 GHz, and to re-deploy our 900 MHz spectrum in 3G for optimal coverage within buildings. The network transformation program started with the 32 French cities that are each home to more than 200,000 inhabitants and by March 31, 2018, more than 26 million inhabitants of the 32 French cities have benefited from the program.

Mobile networks sharing agreement

The Group and Bouygues Telecom entered into an agreement on January 31, 2014, whereby they agreed to pool part of their wireless networks. The goal of this agreement is to allow Bouygues Telecom and the Group to offer our respective customers better geographic coverage and service quality, while optimizing costs and investments. The agreement calls for the roll-out of a new shared network in an area corresponding to 57% of the population of France (encompassing the entire territory, other than the 32 largest population centers described above and so-called "white spots"). The first roll-outs of the RAN sharing coverage were in September 2015, and 8,933 sites were rolled out jointly by the Group and Bouygues Telecom by December 31, 2017. The target network completion date is currently set for the end of 2018. See "*—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*" for more information.

Backbone

In order to offer all its customers a top-quality user experience, the Group has developed its own, unique transport network, enabling the routing of all of the Group's mobile and fixed-line traffic. The Group's network is based on a modern, high-quality infrastructure, both with respect to its backbone and its mobile and fixed-line access networks.

The Group has one of the largest backbones in France. This backbone is a national transport infrastructure with more than 80,000 km of fiber optic cable enabling the connection of more than 165 metropolitan loops in the territory as of March 31, 2018. In addition, the Group's backbone is accompanied by a network of approximately 11 national data centers spread across the French territory.

Technical characteristics

The backbone (which provides the main voice and data transmission routes between large, strategically interconnected networks and the network's main routers) is used by the Group to route the digital signals of subscribers throughout France. The data backbone currently functions in "All-IP" and transports all Group communication using specific bandwidths for each of the Group's digital services (digital television, B2B and B2C). The Group believes that its backbone is fully able to meet the needs of its subscribers.

Transmission network and IP transport network

For its optical transmission network, the Group has chosen a "meshed" architecture, namely one that is constructed in the form of inter-linked loops, thereby securing traffic flow as much as possible. In the past, the Group built its optical transmission network on the basis of national agreements with RFF and Voies Navigables de France. The Group has extended this vast transmission network by also renting fibers to third parties (for example, Réseau de Transport d'Electricité) and to Orange, specifically for the connection of MDFs.

To be able to handle increasing traffic, the Group has deployed the highest performing optical technology available to date. The Group has constructed an Internet Protocol ("IP") transport network that is multifunctional and features very high capacity. It is situated above the optical transmission network. The backbone routers use Nx100G technology and as a result can support connections of a unitary capacity of 100 GB/s.

The Group network can manage internet services using the addresses in IPv4 or IPv6 format for its Fixed and Wholesale customers. It can also transport voice, data and video flows (for example, television services on multicast IP or VOD).

Data centers

In order to meet the needs of our B2B customers, the Group has approximately 11 data centers in France. These data centers consist of one or more properties equipped with 24-hour security and surveillance services and include several rooms with cabinets containing the servers, kept at an ideal temperature and with permanent electricity supplies. The servers hold the data and applications to be used by B2B customers, who benefit from a secured connection to the data center servers.

Marketing

Overview

The Group has a robust and multi-channel distribution network, combining local channels (stores, presence in the shelves of major food retailers, as well as door-to-door salespeople) and distance selling channels (such as websites and telesales) allowing it to cover the entire domestic market.

Stores

SFR spaces

As of March 31, 2018, the Group had approximately 650 "SFR spaces" in France which sell all of the SFR brand's fixed and mobile offers. This network of SFR spaces is operated by our subsidiary, SFR Distribution, as well as independent partners. Regular investments are made to the SFR spaces network in order to modernize it and maintain the quality of in-store experience.

In addition to offering subscription services, SFR spaces offer subscribers (and prospective subscribers) a range of services including product demonstration and discovery services (such as La Box workshops) and helpdesks.

The SFR brand has a multi-channel approach to its product marketing. As a result of its "web to shop" service, the Group allows its subscribers to order a product online or through telesales (for example a mobile phone handset as part of signing up for a new subscription or renewing an existing one), and to then collect that product at their nearest SFR space. Depending on the availability of the desired product, the customer may pick it up within 48 hours. Furthermore, we have developed the "e-propale" service, which allows estimates to be generated through all sales channels following a customer contact. These estimates can then be finalized by the subscribers themselves, either online or in person in a SFR space.

Door-to-door selling

Door-to-door selling is another mechanism for marketing of the Group's offers. Our door-to-door selling teams operate across the country and consist of both the Group's employees and independent contractors.

Websites

The Group is present on the internet via the websites of its current and historic brands: sfr.fr and redbysfr.fr. The purpose of the websites is to market offers through online stores, improve customer relations (by providing customer discussion spaces, online assistance and so forth) and to offer services (such as webmail).

The websites of our SFR brands (SFR and Red) have more than 93 million visits monthly, with more than 21 million unique visitors.

Telesales

The Group also markets its offers via the telesales channel. The Group's telesales in 2017 generated approximately 1,026,824 outbound contacts and processed approximately 3,406,083 inbound calls per month.

Customer service

Digital customer relations service

In order to give subscribers the autonomy they demand, the Group continues to develop and promote its digital customer service tools, in particular its "Customer Space" on the web and its MyAccount application for smartphones. These digital services, available 24/7, allow all subscribers to manage their services and find answers to their administrative, sales-related and/or technical questions. With the launch of the innovative self-diagnosis functions of its boxes, the Group now allows its subscribers to monitor the status of their boxes and get online technical support.

Multi-channel customer relation service

In addition to our digital solutions, the Group has advisors that help our subscribers on the telephone and/or through other contact modes such as chat-rooms, email, forums and social networks (Twitter, Facebook and others). SFR spaces play a key role in multi-channel customer service, offering subscribers on-the-spot support. The ability of points of sale to better assist our subscribers and resolve their problems is a priority for the Group. To improve the quality of how requests are handled, the Group is streamlining the tools used by its advisors.

B2B Market

Overview

Changes in usage confirm new trends in the B2B market, which raises challenges relating to performance, reliability and, more generally, security. Development of mobility and remote work capabilities, as well as proliferation of exchanges and collaborative work, have resulted in the growth of data usage, specifically in terms of mobility, for all customer terminals, and have created new needs for digitalization of applications and customers' tools.

The Group offers a full range of fixed and mobile services including voice services for traditional switched voice services and VoIP data services, such as the provision of very-high-speed internet access, provision of connection services for professional multi-site architectures (IP VPN, LAN to LAN, SAN to SAN, etc.), cloud and hosting services, and various ICT services solutions.

The Group's B2B customers consist of small, medium and large businesses, as well as public administration entities, which often have numerous sites of operation. We currently meet the needs of our customers via a portfolio of standardized solutions, completed with an extended know-how on project-based customizations.

The Group has a sales team organized into direct and indirect distribution networks to market and service its B2B customers. The Group's sales representatives combine know-how, motivation and experience, providing a strong regional and local presence, and have close relationships with the local authorities and administration.

In 2017 the Group reorganized its sales team's structure by:

- ending the segmentation between telecom and ICT services sales teams. Any sales engineer is now able to address both types of customer's needs in order to develop a convergence between telecom and ICT services (Internet of Things solutions, cloud, unified communications, infrastructure, customer relations, security, etc.) and to generate additional growth; and

- simplifying the market segmentation to better address specific customer needs.

Our B2B services now consist of two segments:

- a major accounts segment marketed through direct sale only. For major accounts, both public and private, the Group offers, through internal sales teams, tailor-made, reliable and secured solutions based on a combination of standardized products and more specific additional services. This segment is dealt with by the Commercial Department, “Major and International Accounts”.

- The remainder of the market is dealt with by the Commerical Department “Regions”, decentralized and present everywhere on the territory via direct and indirect channels:

- a large businesses and public procurement segment also marketed through direct sale only;

- a small to medium business segment (i.e. businesses with between 20 to 250 employees, “SME”) marketed through indirect marketing via a network of independent “SFR Business Space” distributors and SFR Business Distribution, a wholly-owned subsidiary of the Group;

- a micro-businesses segment (i.e. businesses with between 6 to 19 employees), marketed through:

- a network of SFR business brokers via standardized, efficient, reliable and predictable solutions in terms of costs; and

- a digital channel, including online shop and the telesales.

The Group employs a dedicated department for our B2B customers, in charge of the development and marketing of offers and services as well as assistance for all support and training of commercial engineers. The offers of the Group are adapted to the needs of each of its customers, including small, medium and large companies as well as public entities.

Finally, the Group has and manages its own customer services structure, through a Customer Relations Department and a Customer Technical Support Department, specifically suited to the needs of its B2B customers and which is available 24/7. The Group’s digitalized customer management interfaces (in particular Customer Extranet Portal) provide a centralized and multi-channel customer service approach suited to the needs of B2B customers.

The Group’s standard service contract for B2B customers includes commitments to restore service, in particular within four hours for fixed-line voice and data services. The Group also offers additional value-added services suited to the needs of B2B customers in terms of roll-out and operation.

Mobile Offers (Voice, Data, Management and control services)

The Group’s mobile offers are intended for all segments of the B2B market, and include four main mobile telephony voice and data packages, which follow the same format as the Group’s B2C offers, containing additional options as well as various levels of data usage, in addition to specific data access packages for tablets and computers, which offer internet access ranging from a few GB to several tens of GB depending on the offers.

The Group also offers cost management services to businesses. These include simple tools, such as a dashboard of telecommunications expenses and consumption, which allow businesses to effectively manage their fleet of handsets.

Handset management and security offers are available to all business customers. Our Mobile Device Management offer allows business customers to remotely manage and secure their fleet of smartphones and tablets, in particular by erasing the business’ information in the event of theft. The handsets are configured in a centralized manner through a Cloud platform.

Fixed-line voice offers

Our B2B fixed-line voice offers consist of various fixed-line telephony packages designed to suit all business customers’ needs. They include calls to fixed and mobile lines with privileged support: dedicated customer service, guaranteed restoration in less than four hours with the dispatch of a technician if necessary, and the choice of single, consolidated or separate billing.

The “Pack Business Entreprise” offer is an offer for enterprises, from SMEs to large companies wishing to use the service of a provider handling the overall management of the business communication services (managing telephony service, equipment and telecommunications usage). This package provides not only a standard telephone service including call forwarding, call transfer and conferences, among others, but also the convergence of fixed and mobile services such as single number, single email system and accessibility rules.

The Group provides a dedicated project manager during set-up and installation on the site by licensed technicians.

Fixed data offers

The Group can provide its business customers with a complete range of fixed data offers:

1. Business private network offers:

- The “IPNet” offer connects businesses’ different premises into a single private network. Connections can be made using DSL or FTTx access technologies. Additional services allowing remote access, centralized and secure internet access or support can be added to this offer; and

- The “SFR International IPNet” offer for major accounts and businesses contains multi-site access in France and abroad (virtual private network with data traffic transport and prioritization). It makes it possible to transport and protect information between a company’s sites in France and abroad, thereby improving the performance of its applications.

- The “SFR Ethernet” offer, intended specifically for major accounts, connects the business’s local networks through a very-high-speed broadband network. It thus makes it possible to allocate and share the network resources (LAN, servers) of the customer, and connect its main sites (head office, datacenters) via a flexible point-to-point architecture, with a broad range of speed and access options.

2. Internet access offers:

- The “Connect” offer, which provides access to the Internet with symmetrical speed and guaranteed broadband up to 1 Gbps and upwards of that through dedicated fiber, SDSL or VDSL.

- The “Access Max” offer is designed to offer affordable access for SMBs and smaller businesses to very’high speed internet. “Access Max” gives access to asymmetrical speed of up to 300 Mbps through FTTB and FTTH technologies.

3. On-premise network offers.

These offers bring together all of the services that meet the needs for LAN, enterprise Wi-fi and WAN network optimization services for companies through packages solutions or through project-based proposals.

IT Services

In addition to connectivity solutions, the Group offers a range of IT infrastructure and telecommunications services in customized or packaged, on-site or as a service, the format depending on the needs and on the business segment. To do so, it partners with the big technology companies in each area of expertise.

These offers and can be supplemented with consulting and support services.

1. IT Infrastructure Service Line

This service line brings together hosting offers in the Group’s datacenters, platform hosting in public or private cloud mode, disaster recovery plan and content acceleration. An Infrastructure as a Service (“IaaS”) offer is also available for the customers, especially major accounts. The solution allows the company to host its servers in a shared environment to manage and optimize its information system infrastructure in a secured IT resource solution.

2. Unified Communications Service Line

This service line combines video conferencing, audio conferencing, messaging, collaboration and advanced business voice solutions. The portfolio notably includes:

- “Office 365 Collaboration”, which regroups in the same user license Microsoft Office tools (professional messaging, conference and instant messaging, online document sharing site, and office automation applications), and thus makes them accessible online at any time.

- “Business Corporate Pack”, offered specifically to large companies. This cloud unified telephony and communications solution is adaptable to every company and is based on four main pillars: advanced corporate telephony and communications functions, an on-demand service with pay-per-use, the guarantee of a single contact for an end-to-end commitment and a customer space allowing the customer to manage telephony and collaboration services autonomously on a daily basis. The Pack consists of a service platform in the network core and a centralized operator voice access, built on the existing network or the customer’s SFR IPNet. It offers customized end-to-end support for design, roll-out and operation. In addition to corporate telephony and collaboration functions, users will get a softphone service (i.e. telephony software for making calls over the internet) and a single number. They can therefore be reached at any time both within and outside of the company and on all types of fixed and mobile terminals.

The offering also includes the capacity to deploy customized on-site and hosted-mode solutions.

3. Customer Relationship Management Service Line

The Group provides several solutions to meet the customer relationship management needs of its B2B customers.

- Special number offers: The Group has been a special number operator for many years. Despite some restrictive changes in French regulation, this activity remains strong within the Group.

- Call center offer/Call contact offer is an interactive voice server and call center solution in cloud mode. Call Contact relies on an intuitive web interface for the call center manager and comes with special numbers.

- Contact center offers (“Genesys by SFR” and “Cross-Channel Contact Center” solutions): The “Genesys by SFR” and “Cross-Channel Contact Center” solutions cover call centers for very large accounts (above 1,000 call center advisors) and standard accounts (50 to 500 call center advisors). These hosted solutions allow companies to manage their in-bound contacts homogeneously, whatever the channel of communication used by the customer (for example telephone, e-mail, mail, fax, chatting, social networks or avatars). Providing customers with a 360-degree view, these solutions require significant integration with the customer’s information system.

- Marketing campaign management offers (“MultiChannel Broadcast” and “Broadcast Pack”): The Group offers two outbound multi-channel marketing campaign management solutions: the “MultiChannel Broadcast” package, intended for large companies, and the “Broadcast Pack”, for SMEs, each allowing the sending of messages (per unit or in direct marketing mode) via a channel best suited to the target (for example, SMS, MMS, e-mail, fax or voice announcement). Campaigns are managed through an online extranet or the Programming Interface Application.

4. Internet of Things Service Line

The Internet of Things service line provides standard or tailor-made connectivity integration of professional solutions for businesses. These offers allow a group of fixed or mobile machines to share information with a central server, for example geo-location or bank card payment services. To meet the specific needs of critical, sensitive and/or large volume projects, the Group is able to offer suitable services and pricing according to customers’ needs:

- “Connectivity” only solutions, which can easily connect sensors and devises in the existing infrastructure;

- “Standardized Vertical” Internet of Things solutions, which are ready-to-use offers that are developed for specific needs such as power control, geo-location and employee protection. Each offer includes sensors, connectivity and a complete cloud platform; and

- “DIY IoT” solutions, which are a complete range of tools to create a specific and adapted IoT solution for each company’s needs that includes a ecosystem of sensor vendors, connectivity, data management solutions and an IT development platform for each company’s application.

5. Security Business Line

The Group offers a complete range of integrated and managed solutions for internet access protection and security. It works closely with security specialists to meet its customer’s security requirements. The Group also offers secure terminal and remote access management solutions with virtual private networks (“VPN”).

The Group provides answers to advanced cyber-threats such as system intrusion attempts or denial of service attacks (anti-DDos).

Our Service Internet Security range of solutions offers several levels of internet access protection, depending on the size of the company and the desired level of security. These offers are marketed either as packaged with internet access links or dedicated to secure complex multi-operator environments.

Wholesale Market

Overview

The Group, via its Operator Services Division (“DSO”), is a leading operator next to the incumbent operator in France in wholesale telecommunications services. The Group also has a number of assets in this market, such as the broad spectrum of its catalog, close relationships with its customers and the experience gained over the past 19 years in this specific segment.

The Group is involved in the operator market in France and abroad, dealing more specifically with operators serving the B2C market, the B2B major account market (international and infrastructure operators) and the B2B micro business/SME market.

At the end of 2014, B2C services were impacted by consolidation with the SFR Acquisition and Virgin Mobile Acquisition. This resulted in contraction of the market that can be served by the DSO and, correspondingly, its revenues. However, there remains significant market potential for the DSO, especially through new growth drivers in the very-high-speed fixed-line/mobile broadband and in the contents segment.

The market for the B2B major accounts segment remains dynamic, due to, among others factors, the significant increase of speed and the requests for network security by large companies, increasing the sales volume of the DSO in this segment, and also its technological evolutions, including the replacement of obsolete copper technology with fiber. The Group’s significant customers in the B2B major accounts segments are major international incumbent operators.

The SME/micro-business B2B segment is witnessing a number of emerging players every year. This segment has become a preferred target of the incumbent operator. Nonetheless, telecommunications operators in this segment have high growth momentum. The biggest operators in this segment are now offering their own telecommunications services and positioning themselves with respect to all products from fixed voice to fixed and mobile data. The DSO supports them in these evolutions and partly benefits from this growth.

Solutions offered

Through the DSO, the Group offers domestic and international operators, and in the real estate space, telecommunications solutions to help them meet the needs of their own B2C and B2B customers.

The Group is currently marketing telecommunications infrastructure solutions, fixed voice solutions, fixed data solutions, white label solutions, mobile solutions, and roaming solutions for foreign operators, contents for FVNO (3P ADSL Very-High-Speed offer) and MVNO, and infrastructure and digital services solutions to the building.

(a) Infrastructure solutions

The Group has capacities for IT and telecoms equipment hosting, which it markets in particular to international players, in addition to the connectivity and data transport solutions. Its infrastructure offer also comprises the marketing of access to its ducts or the provision of fiber optics.

This infrastructure allows an operator that wants to develop its own telecoms network in France to do so using the solutions offered by the Group.

(b) Fixed voice solutions

The Group meets domestic and international voice transport needs through call transit, collection and termination offers. With these solutions, third-party operators in France or abroad can use the Group's network to connect to the networks of other operators.

The Group also offers turnkey solutions to local or national players such as pre-selection, VoIP (end-to-end product offer), resale of the Orange subscription (VGA) and marketing of value-added services (08xx numbers), allowing them to be the single contacts of their end-customers by managing all voice invoices.

(c) Fixed data solutions

To meet the internet connectivity requirements, the Group offers end-to-end internet access solutions, with or without a router, as well as IP VPN solutions. These solutions allow a third-party operator to use the network and get the Group's support.

The Group also meets collect-mode connectivity needs so that operators can recover data traffic directly on their network. It equally allows international operators to build seamless offers including France in their offerings (international IP VPN).

With these solutions, the Group offers dedicated fiber and shared fiber accesses (FTTB, FTTH) of its own network (SDSL, ADSL and LL). The Group proposes to be the single point of contact for its operator customers by integrating DSP collection solutions in order to complete its coverage of data services.

(d) White label solutions

The Group offers white label broadband and very-high-speed broadband access links in double-play and triple-play to operators wishing to position themselves in the consumer market. These solutions allow these operators to resell, under their own brand, turnkey solutions to their customers.

Triple-play white label service solutions are marketed under long-term contracts and are tailored to the needs and requirements of each of the Group's customers. These contracts include the provision of television content, internet access services and fixed telephony services. The Group also provides certain other products and services such as handset equipment.

(e) Mobile solutions

The Group offers comprehensive offers on the mobile virtual network operators market ("MVNO"). These offers are intended for operators without a network that wish to market a mobile offer. The Group offers Full MVNOs (a voice, SMS and data mobile collection offer), MVNOs light (end-to-end mobile services: national, calls abroad, and roaming, among others) and via MVNO aggregators that provided turnkey solutions.

(f) Roaming solutions for foreign operators

The Group receives roaming traffic of foreign operators on its mobile network in order to ensure continuity of their service in France. The hundreds of agreements that the Group has signed with most foreign mobile operators allow it to cover nearly 280 destinations, and to offer an equivalent service to its subscribers when they are in a foreign country.

This roaming solution is now also available to Full MVNOs that wish to benefit from these agreements to meet the needs of their own subscribers.

(g) Content for FVNO and MVNO

The Group enriches its offerings for FVNO and MVNO by integrating the content developed by the Group (including TV, VoD and press) into its consumer offer.

(h) Infrastructure and digital services solutions for the building

The Group deploys very-high-speed solutions within existing buildings and in new real estate, mainly targeting residential real estate, service residences and the hospitality space (hotels and clinics, among others).

The Group deploys FTTH networks through contracting with the real estate operator for co-owned buildings or low-rent housing and through collective service contracts.

The services offered within the framework of collective services allow the residents of the buildings covered to have a maintenance contract enabling them to access, without individual subscription, either the collective television service or a collective triple-play service.

Media

The Group is focused on delivering high quality content offerings to complement its fixed and mobile services, including proprietary content and exclusive content, as evidenced by our investments in French media businesses NextRadioTV and SFR Presse. In addition, the Group regularly reviews and invests in the content that it offers to provide its subscribers with a flexible and diverse range of programming options, including high-quality local content and exclusive premium content.

On June 12, 2017 the Group announced a multi-year partnership with Netflix which will allow our customers to watch Netflix's content via eligible devices. In addition, Altice Europe has acquired the exclusive rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League and English Rugby Premiership, which are commercialised in France via exclusive SFR branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice Europe. Moreover, in May 2017, the Group successfully acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League football fixtures in France. The rights to broadcast the UEFA Champions League over the period from 2018 to 2021, while the rights to broadcast the English Premier League cover the period from 2017 to 2020. See "*—Material Contracts—English Premier League broadcasting rights*" and "*—Material Contracts—UEFA Champions League and UEFA Europa League broadcasting rights*" for more information. The Group also announced the launch of a single brand this summer for all of its sports content: RMC Sport Access, set to replace SFR Sport channel with the Champion's League launch this summer. In April 2017, the Group announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France, which also comprises a print magazine, mobile application and a recipe blog.

Furthermore, the Group has formed a partnership with Discovery Communications to launch two new exclusive Discovery channels and has obtained exclusive distribution rights to two existing Discovery channels, including the number one factual pay TV channel in France, and three NBCUniversal channel brands in metropolitan France. Leading 24-hour news is also provided by the Group through its TV news hub bundle, BFM.

The Group intends to continue to selectively invest in local and value-added premium content as well as sports broadcasting and distribution rights in the future to enrich its differentiated and convergent communication services from those of its competitors.

Activities of Société Réunionnaise du Radiotéléphone

Société Réunionnaise du Radiotéléphone ("SRR"), a wholly-owned subsidiary of the Group, operates in Réunion and Mayotte in all mobile and fixed-line B2C and B2B retail markets as well as the Wholesale telephony market.

SRR is a major operator in mobile telephony (historical incumbent) and fixed services in the retail markets in these two territories. SRR ensures proximity to its customers through its 21 shops in Réunion, its six boutiques in Mayotte and a dedicated customer service team.

SRR provides a wide range of different offers with low-cost services under the Redbysfr.re brand as well as premium offers with SFR Presse, BFM, SFR Sport and SFR Play services. SRR also offers packages under the NRJ Mobile brand mainly for young people and under the La Poste Mobile brand for new customers. In addition, the SRR provides data offerings, which include M to M solutions as well as packages for tablets and internet dongles.

Since December 1, 2016, these offers are available in 4G (LTE). As part of the ARCEP 4G frequency allocation procedure, SRR has obtained new frequencies in the 800Mhz, 2.1 Mhz and 2.6 Mhz bands.

In addition, SRR continues to deploy its FTTH network in Réunion, which launched in March 2016.

Activities of Equity-Accounted Affiliates

The material equity-accounted entities of the Group as of March 31, 2018 include:

La Poste Telecom

The Group holds 49% of the share capital of La Poste Telecom that markets, under the La Poste Mobile brand, mobile telephony (subscription and prepaid cards) as well as fixed services (DSL, very-high-speed internet) through the network of post offices. La Poste Mobile is an MVNO on the Group's network. See "*Certain Relationships and Related Party Transactions—Transactions with Equity Associates—Transactions with La Poste Telecom*" for more information.

Synerail and Synerail Construction

See "*—Material Contracts—Wireless Network Agreements—Agreement Related to the GSM-R Wireless Telecommunications Network*" below and "*Certain Relationships and Related Party Transactions—Transactions with Equity Associates—Transactions with Synerail and Synerail Construction*" elsewhere in these Listing Particulars for more information.

Seasonality

With regards to B2C activity, the year-end period is a period of extremely sensitive sales. A major defect in information systems or in any component the production and logistics chain during this period would adversely affect revenues. To prevent this risk, the Group avoids working on the network and information systems during this period of the year (from mid-November until year end).

With regards to fixed-line B2C activity, revenues from standard analog pay-TV services and basic and high-end cable pay-TV, as well as broadband internet service, are mostly based on fixed monthly pricing and are therefore not subject to seasonal changes. The increase in the number of customers is generally higher from September to January, reflecting a greater tendency for households to equip themselves during back-to-school and year-end periods.

Sales to B2B customers generally grow in June and December which are periods when private and public-sector businesses create their budgets, while revenues from B2B telephony services tend to reflect the timing of school holidays, with a slight drop during summer and winter vacations as well as during May holidays.

Revenues from our content business, which are mainly derived from advertising and, to a lesser extent, the paid circulation of newspapers (subscriptions, newsstand sales), are subject to seasonal variations. For example, the seasonality of advertising revenues can change each year depending on the economic situation, the school calendar, the general news and the ability to preserve advertising space in a context of high level of news as well as, current or sporting events (tournaments and international competitions).

Suppliers

The Group has introduced a multi-sourcing purchasing policy for some technologies and permanently monitors suppliers in the production chain.

The breakdown of the main suppliers for the major categories is as follows:

- ten main suppliers of mobile handsets and customer premises equipment;

- five main suppliers of telecommunications equipment;

- five primary suppliers for the deployment of this equipment and maintenance;

- ten principal suppliers for IT systems;

- five main suppliers for call centers.

For mobile handsets, the Group works with the best known brands on the market, as well as with Original Design Manufacturers (ODM) for which SFR uses dedicated brands. It is very important for the Group to have access to all the leading brands on the market. Moreover, SFR may, for some very specific products or services, find itself dependent on certain suppliers. SFR considers itself to be commercially dependent on a handset supplier and on an access provider.

For customer premises equipment, the Group works with reputed equipment manufacturer, who produce integrated solutions such as La Box and set top boxes based on specifications provided by the group. The Group owns the IP rights to the technology used to manufacture this equipment.

For telecommunications equipment, the Group has a dual sourcing policy with leading companies in these segments for the network’s main equipment, particularly radio equipment. As a result, the Group believes that there is no critical dependence. For the backbone, SFR has more of a mono-sourcing policy, based on the type of equipment, in order to simplify the process and because of smaller volumes of investments. The companies concerned are also leaders in their fields.

For the information systems, the Group uses either solutions recognized in the market (Oracle, SAP), or more advanced solutions for which specific provisions are stipulated in the contracts in order to protect access to the source code. SFR believes there is no critical dependence in this area.

Thus, the Group has developed and maintains relations with various suppliers who contributed to the development of innovations, service quality and operational excellence for its customers to ensure economic efficiency.

The purchasing process consists of five stages that describe the entire life cycle of the relationship between the Group and its suppliers.

The selection of suppliers is one of the critical steps. It is rigorous and applies objective criteria relating to product and service quality, delivery terms and conditions and their costs as part of the total cost of ownership.

This assessment also considers commitments relating to:

- compliance with applicable laws and regulations;

- compliance with rules of confidentiality and loyalty;

- the existence and application of an Environmental and Social Responsibility (ESR) policy suited to the nature of the products and services supplied.

These criteria are explicitly set forth in the contracts that govern the Group’s relations with its suppliers.

Governance is set up with the principal suppliers. This enables a long-term, balanced relationship to be established and relates to both the monitoring of performance, the sharing and supervising of targets and the exchange of information regarding market and technology trends.

The SFR entity has been implementing a purchasing policy that takes into consideration the principles of social and environmental responsibility in its relations with its suppliers in order to improve risk control.

The main principles are as follows:

- give priority to suppliers that meet these challenges;
- take these criteria into consideration in supplier evaluations;
- promote and ensure compliance with the code of ethics and commitments published by the Group.

All purchase contracts signed in the last year include a clause on "compliance with laws and regulations - social responsibility." The Group uses the specialized company AFNOR to evaluate its main suppliers on a regular basis.

The use of protected sector businesses (recycling of equipment, telephone contacts, etc.) is an integral part of the purchasing policy and is regularly monitored.

As described above, the Group uses several suppliers in the course of its business activities. The Group believes that it is not dependent on any single supplier and that the loss of one of its suppliers would not have any material adverse effect on the Group's business, and that the Group could replace its main suppliers without any major disturbance to its operations, with the exception of a very small number of suppliers (one terminal supplier and one access supplier).

Material Contracts

A summary of certain material agreements reached by the Group follows.

Telecommunications Agreements

Interconnection

Interconnection is the means by which the Group is connected with third-party operators, enabling the provision of electronic communications services to end users. For a subscriber of a telephone network to be able to call an end user located on another telephone network, the subscriber's network service provider must connect to the end user's network or to the network that transfers the call to the end user's network. As a general rule, the operator of the network that is transferring the call and the operator of the end user's network (if different to the former) bill the subscriber's service provider for the expenses incurred in transferring traffic and/or call termination. These expenses are calculated based on the rates for call establishment and the duration of the telephone calls. The interconnection rates and expenses are regulated by ARCEP (see "*Regulation—Digital single market—National regulatory authorities—ARCEP*" for further information).

The Group has entered into an interconnection agreement with Orange for an indefinite term. The agreement may be terminated by the Group subject to three months' written notice. The Group has also reached interconnection agreements with other operators for routing traffic.

Unbundling

Unbundling consists of the supply by Orange of local copper-wire loops to third-party operators, which then install their own transmission equipment on those local copper-wire loops, allowing such operators to ensure end-to-end management of the network connecting it to its customers. The Group has entered into an agreement with Orange for accessing its local loops.

Supply Agreements

Content Agreements

The Group has entered into several agreements with publishers for broadcasting digital television channels, including TF1, Groupe M6 and Canal+. These agreements are generally for renewable three-year terms. Different compensation models are applicable, primarily regarding the provision of non-linear TV offerings (e.g. deferred broadcasts and catch-up TV), with compensation being determined on either a flat-rate price or based on the number of subscribers using such services (the latter of which is the market (and Group) trend).

The Group and AENS, an affiliate of the Group, have entered into certain distribution agreements regarding a package of sport and news channels, including the exclusive rights to broadcast the English Premier League Football, French Basketball League and English Rugby Premiership fixtures, and as well as the UEFA Champions League and UEFA Europa League in France. The UEFA rights include exclusive broadcast coverage across free-TV, pay-TV, mobile, internet, over-the-top and digital terrestrial television coverage. All such distribution agreements are entered into on an arms-length basis.

On January 8, 2018, Altice Europe announced that existing sports content wholesale contracts between the Group and Altice TV would be cancelled and replaced by a new revenue sharing contract with a significantly reduced annual minimum guarantee. AENS, a subsidiary of Altice TV, will be eligible to receive an indemnity of €300 million as part of the renegotiation. This amount has been recorded as an expense by the Group as of March 31, 2018. This new arrangement will include the transfer of other premium content contracts from the Group to Altice TV and allow the Group to continue to distribute premium pay TV content to its customers, including SFR Sports and Altice Studio channels. As a consequence of the contract renegotiation with Altice TV, the total commitments of the Group are expected to decrease by approximately €1 billion.

Handset Supply Agreements

The Group has entered into a number of agreements through which it procures wireless handsets and accessories. Additionally, the Group considers itself to be in a commercially dependent relationship with regard to a handset supplier whose high-visibility products are not replaceable in its customers' eyes.

Infrastructure and Network Agreements

Agreements Regarding the Group's Networks

For more information on agreements relating to infrastructure and network please see "*Business of the Group—Network*".

Agreement Between Orange and the Group Relating to Fiber Optics Roll-Out

On November 14, 2011, the Group entered into a joint investment agreement with Orange for the roll-out of fiber cable in less densely populated areas in continental France, which account for some 10 million households. Under this agreement, the Group is required to roll out fiber to 2.4 million households and Orange is required to roll out fiber optics to 7.6 million households, each by 2020.

To avoid any overlaps, the agreement designates for each municipality the operator that is in charge of the roll-out, thus ensuring the most optimal timeline and coverage. Each of the parties will become a client of the other by signing IRU agreements in the areas where they will not themselves deploy the fiber. The other operators will have access to these infrastructures through standard operator market agreements. Each party undertakes to cover each municipality within five years of the start of the roll-out.

The French Competition Authority's decision of October 27, 2014 imposed certain obligations on the Group with regards to the implementation of this agreement. As part of the implementation of these commitments, the Group removed part of the exclusivity of deployments from which it benefited on nearly 900,000 homes, thus enabling Orange to supply its own infrastructure in such areas.

On June 27, 2018, Orange and SFR announced that they had reached an agreement ratified by the French competition authority as per which the two operators have agreed that 80% of the available homes passed would be deployed by Orange and 20% by SFR. The accord was accepted by the French competition authority under the condition that non-compliance could expose both operators to a fine reaching up to 3% of revenues derived in France.

Agreement Between Bouygues Telecom and the Group Relating to Fiber Optics Roll-Out

On November 9, 2010 SFR and Bouygues Telecom entered into a joint investment agreement related to fiber optics roll-out ("Faber Agreement"). Under the terms of this Agreement, SFR and Bouygues Telecom committed to jointly invest in the roll-out of a horizontal fiber optic network in a defined number of towns and districts located in high density areas.

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. As part of this decision, the French competition authority asked SFR to provide certain commitments related to this agreement.

These commitments covered three main points:

- The obligation to provide distribution services for all Distribution Points (DP) delivered as of October 30, 2014 within two years;

- The drafting of a rider to the Faber Agreement allowing Bouygues Telecom to order a list of buildings of its choice for the distribution to Distribution 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 officially opened an inquiry into the conditions under which Altice and SFR Group respect these commitments.

See "*—Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Non-compliance with the commitments entered into by SFR, in the context of the SFR Acquisition, relating to the agreement concluded between SFR and Bouygues Telecom on November 9, 2010*" and "*—Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Bouygues Telecom against SFR (Faber CCI)*" for more information.

Wireless Network Agreements

Bouygues Telecom Agreement

The Group and Bouygues Telecom entered into an agreement on January 31, 2014, whereby they agreed to pool part of their wireless networks. The goal of this agreement is to allow the Bouygues Telecom and the Group to offer our respective subscribers better geographic coverage and service quality, while optimizing costs and investments. The agreement calls for the roll-out of a new shared network in an area corresponding to 57% of the population of France (encompassing the entire territory, other than the 32 largest population centers with more than 200,000 inhabitants and so-called "white spots").

The agreement is based on two principles:

(i) The creation of a special joint venture (Infracos) to manage the assets of the pooled radio sites, i.e. the passive infrastructures and geographic areas where the infrastructures and telecommunications equipment are deployed. The Group and Bouygues Telecom preserve the full ownership of their active telecommunications equipment and frequencies; and

(ii) The mutual provision of RAN-sharing service in 2G, 3G and 4G in the shared territory. Each operator is responsible for the part of the territory in which it assures the design, roll-out, operation and maintenance of the RAN-sharing service.

Under the agreement, the Group and Bouygues Telecom preserve their own innovation capabilities as well as full commercial and pricing independence, and continue proposing differentiated services due to the control of their network cores and frequencies. The agreement to partially pool wireless networks follows many similar arrangements implemented in other European countries.

On January 31, 2014, ARCEP approved the agreement, provided three conditions were met: (i) the preservation of the operators' strategic and commercial autonomy; (ii) the absence of an eviction effect on certain market competitors; and (iii) an improvement of the services provided to users in terms of both coverage and service quality.

The first roll-outs of the RAN sharing coverage were in September 2015, and 8,933 sites were rolled out jointly by the Group and Bouygues Telecom by December 31, 2017. The Group estimates that as of December 31, 2017, 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. The target network completion date is currently set for the end of 2018

On April 29, 2014, Orange filed a complaint with the French Competition Authority regarding the agreement, arguing that it constituted an anti-competitive practice. Investigations on the merits are currently underway.

For more information on the proceedings, see "*Business of the Group—Legal Proceedings—Civil and Commercial Disputes—Wholesale Disputes—Orange vs SFR and Bouygues Telecom (Network Sharing Agreement)*".

Agreement Related to the GSM-R Wireless Telecommunications Network

The Group holds a 30% share in the company Synérail, along with Vinci Energies and Vinci Concessions (collectively, "Vinci"), AXA Infrastructure Investissement SAS, AXA UK Infrastructure Investissement SAS and AXA Infrastructure Partners FCPR (collectively, "AXA") and TDF, which signed with the public-private GSM-R partnership agreement with RFF. Vinci and AXA each hold a 30% share, while TDF holds the remaining 10%.

The agreement, which has a duration of 15 years from March 24, 2010, and an overall value of approximately €1,000 million, consists of ensuring the financing, construction, operation and maintenance of a digital telecommunications network that will assure communications (voice and data) in conference mode between trains and ground controllers. This allows the creation of a European rail network system with a single, compatible and harmonized communication system that replaces existing national radio systems. The network will be progressively deployed along 14,000 km of traditional and high-speed rail lines in France.

The Group is also a service provider in the construction and operation phase of the GSM-R network through the companies Synérail Construction and Synérail Exploitation, which it holds jointly with Vinci Energies. In the event of a change in control of the Group, Vinci Energies has a purchase option on the stock of these two companies. This option was not, however, exercised as a result of the SFR Acquisition.

Agreement for the Occupation of the Public Domain of Réseau Ferré de France (RFF)

The Group has entered into a set of agreements with RFF regarding public domain occupation, through which the Group occupies the infrastructures to set up its network.

White Label Agreements

The Group is party to agreements with Darty Telecom (relating to DSL and fiber white label services), Bouygues Telecom (relating to fiber optic white label services) and La Poste Mobile, under which it provides television, very-high-speed internet and/or telephone services to each of Darty Telecom and Bouygues Telecom, which then market them as part of double- or triple-play offers on the Group's network under their own brand and with their own subscribers. The Group continues to explore the possibilities of entering new white-label deals as part of its undertakings following the decision of the French Competition Authority approving the SFR Acquisition.

Pursuant to the white label agreements, the Group undertakes to abide by certain quality and performance standards, and penalties may be levied against it by its white label clients if these undertakings are not fulfilled. Each of these white label clients pays the Group monthly fees based on the number of end users to whom they sell bundled offers or, in the case of certain voice service agreements, based on usage. The Group's white label clients must pay additional amounts for any supplementary services they require, including customer and billing services. The billed amounts include (i) the subscription fee, which depends on the type of services subscribed, (ii) telephone service costs, and (iii) VOD costs.

Moreover, the Group reached a white label fiber agreement in May 2009 with Bouygues Telecom for the provision of very-high-speed internet services, which expires in 2019. At the initial expiry date, the agreement will be automatically renewed for an unlimited duration, unless 24 months' notice of termination is given by Bouygues Telecom or 12 months' notice of termination is given by the Group. In late October 2013, SFR Fibre and Completel received notice of a claim from Bouygues Telecom regarding their white label fiber contract, and filed suit against SFR Fibre and Completel on July 24, 2015 concerning performance of the contract. The suit remains ongoing. See "*—Legal Proceedings—Civil and Commercial Disputes—Wholesale disputes—Claim by Bouygues Telecom against SFR Fibre and Completel*" below for more information.

In May 2012, Bouygues Telecom acquired Darty Telecom, which became its fully-owned subsidiary. Consequently, the existing white label agreements were amended in December 2012 to reflect the new commercial relationship between Darty Telecom and Bouygues Telecom.

MVNO Agreements

The Group is party to several end-to-end wireless service provision agreements with mobile virtual network operators ("MVNOs") whose activity depends on access to the mobile network of one or more mobile operators. As of the date of the Offering Memorandum, the Group is party to 12 MVNO agreements, the most important of these being with La Poste Telecom (49% of which is held by the Group and the remaining 51% by Groupe La Poste) and El Telecom (NRJ Mobile).

Agreement to Dispose of Tower Assets

On June 20, 2018, the Issuer entered into an exclusivity and put option agreement with Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR ("**Tower Purchaser**") for the sale of 49.99% of the shares in a newly incorporated tower company ("**SFR TowerCo**") that will comprise 10,189 sites currently operated by the Group. The envisaged transaction values SFR TowerCo at an enterprise value of €3.6 billion. In addition, a build-to-suit agreement for 1,200 new sites between the Group and SFR TowerCo is expected to generate approximately €250 million in additional proceeds to the Group within the next four years.

In connection with this transaction, the Issuer and the Tower Purchaser will enter into a shareholders agreement relating to the management of SFR TowerCo and certain other matters, which will, *inter alia*, provide the Tower Purchaser with consent rights intended to protect its financial interest over specified matters relating to the operation and financing of SFR TowerCo. In addition, SFR TowerCo and the Group will enter into a 20-year master services agreement for the hosting, site development and ancillary services to be provided by SFR TowerCo to the Group as tenant.

See "Summary—Recent Developments—Disposition of Tower Assets" for more information.

Agreement to Purchase Altice Europe's FOT Business

In connection with the Altice Group Reorganization, the Group intends to acquire Altice Blue Two, the holding company for Altice International's operations in the French Overseas Territories (the "*FOT Business*"). The acquisition is expected to be consummated in the third quarter of 2018 and the total consideration is expected to amount to approximately €470 million. See "*Summary—Recent Developments—Acquisition of Altice Europe's FOT Business*" for more information.

Call Centers

In order to optimize services, the Group outsourced certain of its call center operations to Altice Customer Services, previously owned by Altice Europe. Altice Customer Services coordinates with and outsources to various call center providers, including Randstad, Outremer Télécom (Mauritius and Madagascar) and Intelcia on behalf of the Group.

On May 16, 2018 the Group successfully acquired a 65% stake in Altice Customer Services from Altice Europe, thereby internalizing its call center operations. See "*Summary—Recent Developments—Closing of the* *previously announced acquisitions of Altice Customer Services and Altice Technical Services France*" for more information.

Properties

As of March 31, 2018, the Group owned property, plant and equipment with a value of €6.5 billion, of which the Group's telecommunications network represented most of this total value. For more information on the Group's network, see "*—Network*", above. The Group leases some of its property, plant and equipment, particularly certain buildings and telecommunications network infrastructure.

The Group's headquarters are located at 16, rue du Général Alain de Boissieu, 75015 Paris, France, which are leased from SCI Quadrans. See "*Certain Relationships and Related Party Transactions—Transactions with our Controlling Shareholder—Transactions with SCI Quadrans.*"

Technical sites

The technical sites of the Group are classified in three categories: (1) mobile switching centers ("MSC"), (2) radio sites (transmitting/receiving sites with transmitting/receiving antennas) and (3) fiber-optic exchanges.

The Group owns around 50 MSC buildings. Its radio network consists of approximately 21,000 sites of various types (existing buildings, undeveloped land, water towers and pylons), of which the Group is lead operator of 15,500. Approximately 4,000 of the Group's sites have been transferred to Infracos, the Group's joint venture with Bouygues Telecom (see "*—Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*" for more information) and it is expected that up to approximately 10,189 sites will be transferred to SFR TowerCo, the Group's joint venture with KKR (see "*Summary—Recent Developments—Disposition of Tower Asset*" for more information). Fiber-optic exchanges primarily include small local optical connection nodes, which are a priority acquisition for the Group. The Group owns the optical fiber and coaxial cables of its network, as well as its equipment, head-ends, nodes, switches, connection equipment and certain other parts of the access network, including the long-distance backbone network. The cable infrastructure used in our network (such as ducts and pylons) is owned by the Group or Orange (in which case Orange makes them available to the Group under long-term IRUs). See "*—Network*", above.

On June 20, 2018, the Issuer entered into an exclusivity and put option agreement with Starlight BidCo S.A.S., an entity controlled by funds affiliated with KKR for the sale of 49.99% of the shares in a newly incorporated tower company that will comprise 10,189 sites currently operated by the Group. See "*Summary—Recent Developments—Disposition of Tower Assets*" for more information.

Other property

The Group holds more than 330 commercial leases for its stores located throughout France. In addition, the Group's assets include movable assets, computer equipment and servers, particularly set-top boxes and other digital terminals and equipment installed on the premises of the Group's subscribers, of which the Group retains ownership and which must be returned to the Group at the end of customers' subscriptions. The Group believes that the usage rate of its property, plant and equipment is consistent with its activity and projected growth, as well as with its current and planned investments.

Environment and Sustainable Development

Given the Group's activities and its current property, plant and equipment, it believes that there are no environmental factors likely to have a significant impact on the use of its current property, plant and equipment. Nevertheless, the Group pays particular attention to its environmental footprint and aims to implement a policy of profitable, sustainable and responsible development with respect to labor, the environment and society at large. The Group has implemented a number of environmental procedures with respect to its activity and its employees and wishes to expand these procedures in the future.

Beyond limiting its direct environmental impact, the Group is also careful to offer its subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, our set-top boxes represent significant environmental advances in our products given that they combine several functions (TV-HD decoder, TV recording device and removable hard drive).

Employees

The Group has recently optimized its workforce with a view to building a more competitive and efficient organization in order to allow it to adapt more quickly to the demands of the telecommunications market. As of March 31, 2018, the Group had 13,468 employees, compared to 16,671 employees as of December 31, 2017 and 17,669 employees as of December 31, 2016. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results—For the year ended December 31, 2017—Restructuring*" for more information.

In addition, on June 22, 2018, the Group entered into an agreement providing a new commitment to the unions to maintain its current number of employees (9,428 as of June 30, 2018) until December 31, 2020. Under this agreement, the Group has also provided a commitment to the effect that if it undertakes any minor restructuring, its employees will benefit from certain support and structured departure processes.

Legal Proceedings

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

A provision is recorded by the Group when (i) there is sufficient probability that such disputes will give rise to liabilities borne by the Group, and (ii) the amount of such liabilities can be reasonably estimated. Certain Group companies are involved in 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. See Note 16 to the Group's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2018, and Note 33 to the Group's audited consolidated financial statements as of and for the year ended December 31, 2017, for more information regarding the Group's current legal and administrative proceedings.

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

Tax Audits

VAT

The French tax authorities have conducted audits of various companies of the Group with respect to the VAT rates applicable to our multi-play offerings. Pursuant to the rules applicable in 2010, television services are subject to a reduced VAT rate of 10%, while internet and telephony services are subject to the normal VAT rate of 20%. When marketing multi-play offerings, the Group applies a price reduction on the price the Group would otherwise charge for these services on a stand-alone basis. This discount applies primarily to the internet and telephony services portion of a multi-play offer, while the audited companies offered primarily television service. As a result, the VAT charged to the Group's multi-play subscribers is lower than the VAT that would be invoiced if the discount had to be charged to the portion of the price on its multi-play offers for the television services, or if the discount was prorated across all services. The French tax authorities assert that these discounts should have been calculated and prorated on 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 have proposed adjustments for the year 2010.

The Group has also received proposed adjustments for years 2011 to 2014 for SFR Fibre, Numericable and Est Vidéocommunication, primarily affecting the application of the VAT on multi-play offers, despite the change in rules on January 1, 2011 that supports the Group's practice in this area. The proposed adjustments are based on comparisons between customers with one television service and customers with two or three services including television (television with telephony and/or internet). If the proportion of the number of television service customers is lower than a certain percentage of customers with television and telephony and/or internet services, the VAT on television service is calculated at a 20% rate for these customers.

The National and International Audit Directorate (*Direction des vérifications nationales et internationales*) (the "DVNI") sent notices for the audit of 2015 and 2016.

The Group is disputing all of the proposed reassessments and has initiated appeals and dispute proceedings, which are at different stages for each of the 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 have been provisioned in the Group's financial statements as of March 31, 2018 in the amount of €31 million.

Others

An accounting audit of years 2012 to 2013 led the tax authorities to make various adjustments in the principal amount of the corporate tax. The Group, which is disputing the assessments proposed, recognized a provision of €47 million as of March 31, 2018.

The Group is subject to a tax inspection concerning the years 2014 and 2015. In December 2017, the Group received a proposed tax reassessment about taxes on top remunerations. This proposal gave rise to the booking of a provision of €8 million as of March 31, 2018, and the company is contesting the majority of the contemplated adjustments.

Civil and Commercial Disputes

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 SFR and Orange 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 French Competition Authority fined SFR €66 million for abuse of dominant position, which SFR has paid.

SFR appealed the decision, and the case was argued in the Paris Court of Appeals on February 20, 2014.

The Paris Court of Appeals rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to the Court of Cassation by SFR on July 9, 2014 and on October 6, 2015, the Court of Cassation rejected SFR's appeal), and asked the European Commission to provide an Amicus Curiae brief to shed light on the economic and legal issues raised by this case. The Paris Court of Appeals postponed a ruling on the merits of the case pending the European Commission's opinion. The European Commission rendered its opinion on December 1, 2014, against SFR. The hearing on the merits of the case was held December 10, 2015. The Court of Appeal delivered its judgment on May 19, 2016, granting a 20% fine reduction to SFR. The French Treasury returned €13.1 million to SFR. SFR appealed to the Court of Cassation on June 20, 2016.

As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, OMEA and EI Telecom (NRJ Mobile) brought suit against SFR in the Commercial Court for damages. SFR and Bouygues Telecom entered into mediation in June 2014 and the hearing to close the mediation proceedings was held on December 5, 2014. The motion for discontinuance on September 11, 2014, ended the legal action between the two companies. With respect to the claim by OMEA (€67.9 million) and EI Telecom (€28.6 million), SFR applied for and obtained a stay on a ruling pending the decision of the Paris Court of Appeals. On May 24, 2016, OMEA withdrew its case. El Telecom reintroduced its case and updated its loss to up to €28.4 million. The procedure is pending.

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

On October 8, 2014, Orange Réunion sued SRR and SFR jointly and severally for €135.3 million in damages for the loss suffered as a result of the unfair competition practices alleged by the French Competition Authority. To date, proceedings on the merits of the case have not yet begun, and various procedural motions have been filed.

A judgment of the Tribunal took place on June 20, 2016 which held that Orange Réunion's claims may not include the period before October 8, 2009 and therefore refused to exonerate SFR.

On December 20, 2016, following the judgment of the Tribunal, Orange updated its estimate of damages that it considers to have suffered after October 8, 2009 to €88 million. On June 18, 2018, the parties entered into a settlement agreement whereby Orange has agreed to desist from their claims in this dispute.

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

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

On March 5, 2015, the French Competition Authority sent a notice of complaints to Orange. Four complaints were filed against Orange. On December 17, 2015, the French Competition 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 for the loss suffered as a result of the practices in question in the proceeding with the French 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 damages. It accused SFR of deliberately organizing overflows onto the Orange network for the purpose of economically optimizing its own network (underdesigning the Primary Digital Block). In a ruling on 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 to the Court of Cassation.

On August 11, 2014, SFR also petitioned the District Court, which rendered its decision on May 18, 2015 by ordering SFR to pay €600,000 as a penalty for 118 instances of unfair "overflow" practices.

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 alleged breaches between July 2011 and July 2014. Orange also summoned Completel before the same Court on the same date 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 (expected in the second semester of 2018).

On June 18, 2018, the parties entered into a settlement agreement whereby Orange has agreed to desist from their claims in this dispute.

Non-compliance with the commitments entered into by SFR, in the context of the SFR Acquisition, relating to the agreement concluded between SFR and Bouygues Telecom on November 9, 2010

Following a complaint by Bouygues Telecom, the French Competition Authority took legal action on October 5, 2015, to examine whether SFR fulfilled its commitments made to the French Competition Authority, in connection with the SFR Acquisition, under its co-investment agreement with Bouygues Telecom for the deployment of optical fiber in very densely populated areas (the "Faber Agreement").

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

On March 8, 2017, the French Competition Authority imposed a financial sanction of €40 million against Altice Europe and the Group for not having complied with the commitments set out in the Faber Agreement at the time of the SFR Acquisition. This amount was recognized in the Group's financial statements as of March 31, 2017 and was paid during the second quarter. The French Competition Authority also imposed injunctions, including mandating a new schedule to supply all outstanding access points with progressive penalties imposed in the event of non-compliance.

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 of Altice Europe and the Group for cancellation of the decision of the French Competition Authority.

The French Competition authority is currently controlling the compliance by SFR of the commitment set out in the Faber Agreement.

SFR v. 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 abuse of 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 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 existed. 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 Appeal 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 Court of Cassation quashed the judgment of the Court of Appeal and referred the case to the Court of Appeal of Paris. Orange returned €52.7 million to SFR on May 31, 2016. Orange reintroduced the case in the Court of Appeal of Paris on August 30, 2016. On June 8, 2018, a decision of the Court of Appeal has confirmed the decision and confirmed the payment made by Orange to SFR. Orange can still lodge an appeal with the *Cour de Cassation*.

Orange v. SFR and Bouygues Telecom (Network 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 Bouyges 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. In addition to this application, Orange asked the French Competition Authority for a certain number of injunctions against the companies involved.

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

Orange appealed the French Competition Authority's decision to dismiss its injunction requests.

The Court of Appeals upheld this decision on January 29, 2015. Orange appealed the matter to the Court of Cassation. The Court of Cassation rejected the appeal filed by Orange on October 4, 2016. The case continues on the merits.

Claim by Bouygues Télecom against SFR Fibre and Completel

In late October 2013, SFR Fibre (formerly NC Numericable S.A.S.) 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 SFR Fibre and Completel concerning the Group's performance under a contract to supply Bouygues Telecom with double- and triple-play very high-speed offers. Bouygues Telecom alleged SFR Fibre and Completel of abusive practices, misrepresentation and contractual non-performance, and sought nullification of certain provisions of the contract and indemnification of €79 million. On June 21, 2016, Bouygues Telecom increased its claims for indemnification to a total amount of €180 million.

In a counter-claim, SFR Fibre 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 and 2017.

SFR Fibre and Completel have since made a new counterclaim based on the abrupt termination of business relations for an amount up to €32.6 million. SFR Fibre and Completel filed their pleadings on January 30, 2018. An upcoming proceeding hearing is scheduled on September 15, 2018 for Bouygues Telecom's 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 regarding the Faber Agreement between Bouygues Telecom and SFR.

Bouygues Telecom claims that SFR breached certain contractual duties and commitments made before the French Competition Authority relating to the Faber Agreement (namely, certain delays and not having connected certain categories of buildings, thereby causing damage to Bouygues Telecom).

In a letter dated June 15, 2018, Bouygues Telecom alleges that it has suffered prejudice of €164.9 million. SFR will submit its response on October 15, 2018 and is preparing the analysis of the prejudice and analysing the prejudice mentioned by Bouygues Telecom.

SCT against SFR

On October 11, 2017, SCT summoned the Group before the Paris Commercial Court alleging certain dysfunctions and failings in the delivery of the Group's Fixe services, and the loss of certain clients as part of the supply of MVNO services

SCT is claiming damages in the amount of approximately €48 million (comprised of €25 million for the fixed services, €15 million for 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 to be tried on the merits and the Group communicated its conclusions in response on March 13, 2018. The proceedings are pending.

Consumer Disputes

CLCV 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 sought compensation for the collective harm inflicted.

On February 24, 2015, the Paris District Court ruled that eight clauses included in the general terms of subscription were unfair and ordered SFR to publish the ruling on its website and three daily print publications.

SFR was also asked to pay €30,000 in damages to the CLCV. This decision was not executory and SFR appealed the ruling on April 16, 2015. The case was pleaded before the Paris Court of Appeals on October 19, 2017.

On March 30, 2018, the Paris Court of Appeals ruled that seven (of the fifty or so clauses which the CLCV originally alleged were unfair or abusive) were unfair and ordered that SFR publish the entire ruling on its website. It also ordered SFR to remove said clauses from the general terms of subscription.

Free v. 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 “Cross” offers sold over the internet between June 2011 and December 2012, claiming that the subsidy constituted a form of consumer credit and that SFR was therefore liable for unfair practices by not complying with the consumer credit provisions, in particular in terms of providing relevant information to customers.

Free asked the Paris Commercial Court to order SFR to provide customers with the relevant information and 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 upheld the judgment of the Paris Commercial Court and dismissed all of Free’s claims. The amount of the compensation to be paid by Free to SFR increased from €0.3 million to €0.5 million. On May 6, 2016, Free filed an appeal. SFR’s defense was 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 the Group 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 the Group. The Group is awaiting the reintroduction of Free mobile’s request before the Court of Appeals.

SFR v. Iliad, Free and Free mobile: unfair practices by disparagement

In May 2014, SFR filed a complaint against Iliad, Free and Free Mobile in the Paris Commercial Court for unfair competition, claiming that since Free Mobile was launched, Iliad, Free and Free Mobile were liable for unfair practices by disparaging SFR’s services. SFR claimed €493 million in damages.

On September 9, 2016, Free argued 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 Paris Commercial Court ordered that SFR pay €25 million to Free Mobile as moral and material damage as a result of unfair competition made by disparagement. This decision was executed and the Group paid the €5 million net amount to Free in June 2018.

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

Following the transfer of customer call centers in Toulouse and Lyon to Infomobile, and the transfer of the Poitiers call centers to a subsidiary of the Bertelsmann Group, the former employees at those sites filed legal actions at Human Rights Tribunals in each respective city, claiming that their employment contracts were unfair and constituted fraud under Article L. 1224-1 of the French Labor Code and that their dismissals were in breach of the legal provisions regarding dismissal for economic reasons.

The rulings in 2013 were mixed. The Toulouse Court of Appeals penalized SFR and Téleperformance in half of the cases, while the Lyon and Poitiers courts ruled in favor of SFR. The cases are now at various stages of proceedings in the Labor Tribunal, Court of Appeals and Court of Cassation.

Litigation over distribution in the independent network (consumer market and SFR's Business Team)

Like many other companies operating an indirect distribution model, SFR faces complaints from a number of its current and former distributors. These complaints revolve around claims of sudden breach of contract, unfair economic dependency, demands for reclassification as a sales agent, and more recently, demands for reclassification as a contractual branch manager or as SFR-contracted point-of-sale staff.

Free v. SFR

In July 2015, Free filed suit against SFR seeking to prevent SFR from using the word "Fiber", claiming that the solution marketed by SFR is not an FTTH solution. Free considers SFR's communication to be materially deceptive and, on that basis, is asking the court to find that SFR is engaging in free-riding and unfair competition.

On January 29, 2018, a decision was rendered requesting SFR to:

- pay €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, an offer including the term "fiber" (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 Numericable, an offer including the term "fiber" (excluding FTTH offers) that they benefit from a possibility of immediate termination as a result of default in previous information provided about the exact characteristics of the offer;

- pay €0.1 million pursuant to article 700 of the French Code of Commerce.

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

Notification of judgment has been recently made by Free, and SFR is currently preparing the summons in summary proceedings for the First President of the Court of Appeal in order to cease provisional enforcement in this case and will lodge an appeal.

Familles Rurales v. SFR

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

On November 12, 2015, SFR argued the nullity of the summons. On April 15, 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 Paris Court of Appeals. On April 20, 2017, the Paris 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 cases and based on the fact that ARCEP revealed dysfunctions in SFR's 4G network, that they were entitled to claim reimbursement for their mobile phones and their 4G subscription fees. Families Rurales asked the Court to publish the relevant information in order to allow any subscriber to join this class action after judgment and thus, to obtain such reimbursement Families Rurales 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. The pleadings were heard on July 4, 2018, and a decision is expected in October 2018.

Tracetel and Intermobility v. SFR

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 seeking damages in the amount of €69 million. The Group is challenging the merits of these claims.

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 SFR Fibre (formerly NC Numericable S.A.S.) 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. The free-of-charge transfer of the cable networks and ducts by 33 French municipalities to SFR Fibre, therefore, it was argued, confers a benefit of this type and constitutes 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 entered into four non-exclusive IRUs with Orange dated May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the Group's acquisition of certain companies operating on cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly ducts), are made available to the Group by Orange through these non-exclusive IRUs.

Each of these IRUs covers a different geographic area, and each 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 infrastructure 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.

In December 2011, the Group 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.

On October 7, 2010, the Group initiated parallel proceedings against Orange in the Commercial Court of Paris, 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 the Group by Orange, under the terms of its general technical and commercial offer published on September 15, 2008. Numericable appealed this decision to the Paris Court of Appeals. The Group claimed the same amount of damages in the Paris Court of Appeals as it had in the Paris Commercial Court. Orange counterclaims that these proceedings materially impaired its brand and image, and is seeking €50 million in damages.

In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed the Group's appeal, which was then referred to the Court of Cassation on August 14, 2014. On February 2, 2015, the Court of Cassation overturned the ruling of the Paris Court of Appeals and referred the case back to the Paris Court of Appeals. The decision is still pending and is expected to be rendered in late 2018.

Litigation between Sequalum and Hauts-de-Seine General Council regarding DSP 92

A disagreement arose between the Hauts-de-Seine General Council ("CG92") and Sequalum regarding the terms of performance of a utilities concession contract signed on March 13, 2006 between Sequalum, a subsidiary of the Group, and the Hauts-de-Seine General Council, to create a very-high-speed fiber optic network in the Hauts-de-Seine region.

The Hauts-de-Seine General Council decided in its on October 17, 2014 meeting to terminate the public service delegation agreement signed with Sequalum "for gross misconduct by the delegatee for which it is solely responsible."

By two judgments dated March 16, 2017, the Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum against the two demands issued by the Hauts-de-Seine General Council for the penalties in the amounts of €51.6 million and €45.1 million. Sequalum appealed the two decisions before the Administrative Court of Versailles, but paid €97 million over the month of July.

On October 16, 2014, Sequalum filed a motion in the Administrative Court of Cergy Pontoise to have the public service delegation rescinded on the grounds of force majeure due to irreversible disruption of the contract, and for a payment of compensation.

Sequalum claims that the termination was unlawful, and is continuing to perform the contract, subject to any demands that the delegator may impose. If the courts decided against Sequalum, Sequalum may have to (i) repay the public subsidies received for the DSP 92 project, equal to the outstanding component of the subsidies (Sequalum has received €25 million), (ii) pay the proceeds of advances (estimated to be €31.9 million by the Department of Hauts-de-Seine) and (iii) compensate the Department of Hauts-de-Seine for damages suffered (estimated to be €212 million by the Department of Hauts-de-Seine). The Hauts-de-Seine General Council received the returnable assets of the DSP 92 project on July 1, 2015. If the courts decided in favor of Sequalum, the Hauts-de-Seine General Council would have to pay compensation to Sequalum in an amount equal to the net value of the assets.

On December 31, 2015, the assets were removed from Sequalum's account in an amount of €116 million. A receivable in the amount of €139 million related to the expected indemnification due to Sequalum was also recognized and fully provisioned.

On July 11, 2016, the Department of Hauts-de-Seine issued a detailed account of all sums it believed to be due by each party in respect of the various disputes, and issued securities on the basis of the said account. The various sums were the subject of a decision of the public accountant dated July 13, 2016, with the final approved amount totaling €181.6 million. This statement, the securities and the compensation decision were the subject of motions for annulment filed by Sequalum before 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 but Sequalum appealed this decision before the Versailles Administrative Court of Appeals). The Group 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. The following demands were contested:

- Order of an amount of €23.2 million for the unamortized portion of the subsidies (SFR's appeal was dismissed);

- Order of an amount of €31.9 million for deferred income (SFR's appeal was successful); and

- Order of an amount of €5.7 million for amounts received as prepayment for connections (SFR's appeal was 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.

Canal Plus Group (GCP) against SFR and SFR Fibre

On October 4, 2017, GCP summoned SFR and SFR Fibre (formerly NC Numericable S.A.S.) before the Paris Commercial Court. GCP claimed that both SFR and SFR Fibre breached their contractual obligations and notably:

- marketed substitute products to the GCP, allowing customer poaching from GCP to the benefit of the Group;
- decreased GCP's promotions;
- promoted the migration of the subscriber base in favor of FTTB, which does not allow access to Canalsat offers;
- carried out misleading advertising;
- refused to set up new offers;
- changed the numbering of GCP's channels; and
- denigrated GCP channels on SC platforms.

GCP requested the termination of the above under financial penalty of €30,000 per day, and damages in the amount of €174 million. The Group fully contests the facts and has initiated its own evaluation of damages suffered before initiating its own demands against Canal Plus. The case is still pending and will be pleaded in Q3 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of the Issuer's financial condition and results of operations and should be read together with the Issuer's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2018 and the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2017, 2016 and 2015 (the "Historical Consolidated Financial Information"). This discussion contains forward looking statements that are subject to numerous risks and uncertainties. See "Forward Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Notes.

In this section, unless the context otherwise requires, the term "Group", "we", "us" and "our" refers to the Issuer and its subsidiaries.

The Issuer applies International Financial Reporting Standards (IFRS) as endorsed in the European Union. Adjusted EBITDA and Capital Expenditures, and measures derived therefrom, are not defined in IFRS, they are "non-GAAP measures". Management believes Adjusted EBITDA is useful to readers of the Issuer's financial statements as it provides a measure of operating results excluding certain items that we believe are either outside of our recurring operating activities, or items that are non-cash. Excluding such items enables trends in our operating results and cash flow generation to be more easily observable. We use the non-GAAP measures internally to manage and assess the results of our operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also the de facto metrics used by investors and other members of the financial community to value other companies operating in our industry, and thus are a basis for comparability between us and our peers. However, Adjusted EBITDA, as used herein, is not necessarily comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, net income or loss, operating income, cash flow or other combined income or cash flow data prepared in accordance with IFRS. For further details, see "Presentation of Financial and Other Information" included elsewhere in these Listing Particulars.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the Historical Consolidated Financial Information. We also present an adjustment for the impacts of IFRS 15 on revenue for the year ended December 31, 2017 for the purpose of calculating the Adjusted EBITDA margin after taking into account the impacts of IFRS 15 for such period and for the purpose of presenting revenue for the twelve months ended March 31, 2018 after giving effect to the impacts of IFRS 15.

Operational Activities

On January 1, 2018, the Issuer amended the presentation of its revenue derived from operational activities. The Issuer now presents revenue by activity under "Mobile Services," "Mobile Equipment," "Fixed," "Wholesale" and "Media." For comparative purposes, we have provided the same presentation for the three months ended March 31, 2018 and 2017 (the "Revised Presentation"). However, for the financial years ended December 31, 2017, December 31, 2016 and December 31, 2015, we have continued to present the discussion and analysis of the results of our operations for all periods in line with the historical segmentation of the business prior to January 1, 2018 (i.e., "B2C," "B2B," "Wholesale" and "Media").

Key Factors Affecting Our Results of Operations

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, the following factors.

Acquisitions and Integration of Businesses and Strategic Initiatives

The Issuer was created through the acquisition by the Group, previously France's sole major cable operator, of SFR, France's leading alternative mobile services provider, which occurred on November 27, 2014. Since then we have from time to time made significant direct and indirect equity investments in, and divestments of, certain businesses, including, among others, the acquisition of a controlling interest in Next Radio T.V. in 2016. Due to the significant nature of certain of these acquisitions and disposals, the comparability of our results of operations based on the Historical Consolidated Financial Information may be affected. See, "*—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2016 compared to the year ended December 31, 2015—Significant Events Affecting Historical Results*", "*—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results*" *and* "*—Discussion and Analysis of Our Results of Operations—For the three months ended March 31, 2018 compared to the three months ended March 31, 2017—Significant Events Affecting Historical Results*."

In general, our results of operations in historical periods have been impacted by actions taken and expenditures incurred to integrate these businesses. We have aimed to integrate and improve the businesses by focusing on several key areas including by (i) investing in the Group's fiber network, migrating existing DSL subscribers to the Group's own network and reducing the need for third party network services, (ii) improving and simplify operational processes and reduce IT costs by investing into new platforms, (iii) integrating sales organizations, optimizing the Group's sales channels and simplifying the Group's brand portfolio, (iv) implementing procurement efficiencies by leveraging the Group's bargaining power and (v) reducing overhead costs.

At the core of our strategy is a return on revenue, profitability and cash flow growth. We benefit from a unique asset base which is fully-converged, fiber rich, media rich, active across consumers and businesses and holds the number two position in its market with nationwide fixed and mobile coverage. The reinforced operational focus offers significant value creation potential. In parallel, the Group is advancing with its preparations for the disposal of non-core assets. Key elements of our growth strategy include:

- Operational and financial turnaround under the leadership of a new management team;
- Optimizing commercial performance with a particular focus on customer services;
- Continuing to invest in best-in-class infrastructure commensurate with our market position;
- Monetizing content investments through various pay TV models and growing advertising revenue; and
- Execution of the non-core asset disposal program, including part of our mobile tower portfolio.

For the years ended December 31, 2015, 2016 and 2017, and for the three months ended March 31, 2017 and 2018, we incurred restructuring and other non-recurring costs of €314 million, €432 million, €980 million, €103 million and €220 million respectively, which primarily includes costs with respect to renegotiations or termination of contractual arrangements, employee redundancies, fees paid to external counsel and other administrative expenses related to reorganization of existing or newly acquired businesses.

Multi-Play Strategy

We have implemented a business strategy focused on the provision and expansion of multi-play product offerings, including triple- and quad-play bundles. Customers who elect to subscribe for our multi-play bundles rather than our individual services realize comparative cost savings on their monthly bill. We believe that the enhanced value proposition associated with our bundled services enables us to meet our customers' communication and entertainment requirements while concurrently both increasing customer loyalty and attracting new customers. As a result of our focus on providing subscribers with multi-play bundles, we have experienced an increase in the number of fiber/cable customer relationships. We believe our bundled service offerings will be an important driver of our fixed-based services, partially offsetting the continued pressure on traditional fixed-based services.

Introduction of New Products and Services and Investment in Content

We have significantly expanded our presence and product and service offerings in the past. In particular, we have launched new offers with new sports and other content in order to differentiate the product offering and to underline our investment in sports rights and other nonlinear content.

The Group is focused on supplementing their own content offerings with premium content produced by third parties. For example, Altice Europe has acquired the rights to broadcast and distribute various premium sporting events, including the French Athletics Federation, English Premier League, French Basketball League and English Rugby Premiership, which are commercialised in France via exclusive SFR branded channels pursuant to a distribution agreement entered into with AENS, a subsidiary of Altice TV. Moreover, in May 2017, the Group successfully acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League football fixtures in France. The rights to broadcast the UEFA Champions League cover the period from 2018 to 2021, while the rights to broadcast the English Premier League cover the period from 2017 to 2020. The Group also announced the launch of a single brand this summer for all of its sports content: RMC Sport Access, set to replace SFR Sport channel with the Champion's League launch this summer. At the end of 2016, Altice Europe and the Group also announced strategic agreements with NBCUniversal International and Discovery which confer certain exclusive distribution rights and further expansion of the Group's premium content offerings in France. In April 2017, the Group announced the launch of MY Cuisine, an international cookery channel broadcast exclusively by the Group in France, which also comprises a print magazine, mobile application and a recipe blog. We intend to continue to selectively invest in local and value-added premium content as well as sports broadcasting and distribution rights in the future to enrich its differentiated and convergent communication services from those of its competitors. The Group believes that such efforts will reduce its customer churn and increase ARPU.

In March 2018, we redesigned our offers, stripping out premium content, and making the telecom offers more simple and comparable to competitors. These offers are now built around two separate blocks: one centred around telecoms and one centred around premium content (Sport, Cinema/Series, etc.); these are offered as pay options, at a rate still preferential for Group customers, for fixed and mobile offers. This strategy is starting to pay off as there is a significant uplift on gross adds ARPU for customers taking content options and this trend is anticipated to strengthen as further key content is added with the Champion's League from the third fiscal quarter of 2018.

Pricing

We focus our product offerings on multi-play offers. In France, we offer multiple play (4P) offers at various price points based on the targeted clientele (low cost, no engagement period offers through our RED brand and more premium offers with the SFR brand). The French market remains highly competitive and hence extremely sensitive to pricing strategy. The cost of a multi-play subscription package generally depends on market conditions, our competitors' pricing of similar offerings and the content and add-ons available on each platform. In general, the greater the optionality, content and usage time included in the offering, the higher the price of the multi-play package. The prices of B2B contracts are negotiated individually with each customer. The B2B market for voice services is extremely price-sensitive and entails very low margins as voice services are highly commoditized, involving sophisticated customers and relatively short-term contracts. The B2B market for data services is less price-sensitive, as data services require more customization and involve service level agreements. In both markets, price competition is strongest in the large corporate and public-sector segments, whereas customer-adapted solutions are an important competitive focus in the medium and small business segments. We have tailored our targeted pricing strategy to account for these dynamics in France.

Cost Structure

We generally work towards achieving satisfactory operating margins in our business and focus on revenue-enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by streamlining processes and service offerings, improving productivity by centralizing our business functions, reorganizing our procurement process, eliminating duplicative management functions and overhead, terminating lower-return projects and non-essential consulting and third-party service agreements, and investing in our employee relations and our culture. We are implementing common technological platforms across our networks to gain economies of scale, notably with respect to billing systems, network improvements and customer premises equipment and are investing in sales, marketing and innovation, including brand-building, enhancing our sales channels and automating provisioning and installation processes.

Network Upgrades

Our ability to provide new or enhanced fixed-based services, including HDTV and VoD television services, broadband internet at increasing speeds and fixed-line telephony services as well as 3G and 4G mobile services to additional subscribers depends in part on our ability to upgrade our (i) cable and DSL networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network and (ii) mobile networks by building-out our 4G-network as well as maintaining agreements with third parties to share mobile networks. Over the last four years, we have increased our fiber deployment and upgraded a substantial part of our cable networks. For example, as of March 31, 2018, our cable networks are largely DOCSIS 3.0 enabled, which allows us to offer our customers high broadband internet access speeds and better HDTV services across our footprint. The Group has also accelerated the build-out of its 4G network over the last two years to have a market-leading mobile network in place by March 31, 2018 (4G population coverage of 96%). The Group also aims to continue the expansion of its fiber network in France and intends to capitalize on its past investments in improved fiber infrastructure.

Competition

The Group faces significant competition and competitive pressures in the French market. Moreover, the Group's products and services are subject to increasing competition from alternative new technologies or improvements in existing technologies.

With respect to its B2C activities, the Group faces competition from telephone companies and other providers of DSL, VDSL2 and fiber network connections. With respect to pay TV services, the Group is faced with growing competition from alternative methods for broadcasting television services other than through traditional cable networks. For example, online content aggregators which broadcast over-the-top ("OTT") programs on a broadband network, such as Internet competitors Amazon, Apple, Google and Netflix, are expected to grow stronger in the future. Connected or 'smart' TVs facilitate the use of these services. With respect to the fixed line and mobile telephony markets, the industry has experienced a shift in usage from fixed line telephony to mobile telephony and the Group faces intensive competition from established telephone companies, mobile virtual network operators ("MVNOs") and providers of new technologies such as VoIP.

In the competitive B2B data services market, price pressure has been strong. Conversely, the use of data transmission services has significantly increased. The Group is currently facing competition from software providers and other IT providers of data and network solutions, and the line between them and the suppliers of data infrastructure and solutions like the Group has become increasingly blurred. Partnerships between IT providers and infrastructure providers are becoming more and more common and are an additional source of competition but also an opportunity. Being able to face the competition efficiently depends in part on the density of the network, and certain competitors of the Group have a broader and denser network. In recent years, the B2B market has experienced a structural change marked by a move from traditional switched voice services to VoIP services.

In the French pay television market, the Group competes with providers of premium television packages such as CanalSat, DSL triple-play and/or quad-play operators such as Orange, Free and Bouygues Telecom, which provide Internet Protocol TV ("IPTV"), and providers of pay digital terrestrial television ("DTT"). In the broadband market, the Group competes primarily, though increasingly with fiber, with xDSL providers such as Orange (the leading DSL provider in France), Free and Bouygues Telecom. The Group's competitors continue to invest in fiber network technology which has resulted in additional competition to its fiber-based services. In the French mobile telephony market, the Group competes with well-established mobile network operators such as Orange, Bouygues Telecom and Free, as well as other MVNOs such as La Poste. In particular, price competition is significant since entry into the market by Free in early 2012 with low-priced no-frills packages.

Moreover, the competition in the fixed market has deteriorated recently with more aggressive promotions from competitors for longer periods, particularly at the low end of the market. However, the acceleration of the Group's fiber deployment in France, notably expanding FTTH coverage in low-density and rural areas, should support better fiber subscriber trends as the addressable market for very high-speed broadband services expands.

Macroeconomic and Political Developments

Our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in France and certain European countries, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition.

Debt Service Obligations

We have significant outstanding debt and debt services requirements and may incur additional debt in the future. See "*—Liquidity and Capital Resources—Cash and Debt Profile*" below and "*Description of Other Indebtedness*" included elsewhere in these Listing Particulars. Our significant level of debt could have important consequences, including, but not limited to, our ability to invest in new technologies, products and content as well as restricting us from exploiting other business opportunities or making acquisitions. It could also increase our vulnerability to, and reduce our flexibility to respond to, adverse general economic or industry conditions. Our inability to make additional investments and acquisitions could also affect our ability to compete with other operators in the jurisdictions in which we operate. See *"Risk Factors—Risks Relating to the Group's Financial Profile—The Group's significant leverage may make it difficult for us to service our debt, including the Notes, and operate our business.*"

Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is Euros and most of our operations are conducted in Euros. We are exposed to the US Dollar and variable interest rates as part of our debt obligations. However, we have entered into hedging operations to mitigate risk related to variations in US Dollar and a majority of our debt is fixed rate date, thus reducing the risk of an increase in benchmark interest rates having a material impact on our interest obligations. See "*Quantitative and Qualitative Disclosures about Market Risk— Interest Rate and Related Risk*" and "*Quantitative and Qualitative Disclosures about Market Risk— Foreign Currency Risk*".

Key Operating Measures

We use several key operating measures, including number of homes passed, number of mobile subscribers, number of fixed-line subscribers and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

The following table presents the Issuer's operating data for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

	As of and for the year ended December 31,			**As of and for the three months ended March 31,**	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands except percentages and as otherwiseindicated)				
Homes Passed[1]	**26,473**	**25,732**	**24,921**	**25,744**	**24,599**
Fiber/cable homes passed	7,711	9,316	10,951	9,634	11,239
Fixed B2C					
Fiber/cable unique customers[2]	1,814	2,038	2,231	2,083	2,327
Fiber/cable customer net adds	267	209	193	45	96
Total fixed B2C unique customers	6,353	6,113	5,943	6,079	6,014
Total fixed B2C customer net adds	(224)	(254)	(171)	(35)	71
Fixed ARPU[3] (€/month)	35.1	35.9	35.8	35.9	34.7
Mobile B2C					
Postpaid subscribers	12,604	12,337	12,535	12,405	12,774
Postpaid net adds	(400)	(267)	199	68	239
Prepaid subscribers	2,533	2,288	1,842	2,108	1,666
Total mobile B2C subscribers[4]	15,137	14,625	14,378	14,514	14,440
Mobile postpaid ARPU (€/month)	22.5	22.6	22.7	25.5	24.1

[1] A home is considered "passed" if it can be connected to the transmission system with no additional extension to the network. Total homes passed in France includes unbundled DSL homes outside of the Issuer business's fiber/cable (FTTH / FTTB) footprint.

[2] Fiber/cable unique customers represents the number of individual end users who have subscribed for one or more of the Issuer's fiber/cable based services (including pay television, broadband or telephony), without regard to the number of services to which the end user subscribed. It is calculated on a unique premises basis. The total number of fiber/cable customers does not include subscribers to either the Issuer's mobile or ISP services. Fiber/cable customers for France excludes white-label wholesale

subscribers and includes a total of approximately 19,000 La Poste TV customers from a new revenue sharing agreement within the B2C fixed base from the fourth quarter of 2016 (approximately 4,000 net additions in the fourth quarter).

(3) ARPU is an average monthly measure that the Issuer uses to evaluate how effectively the Issuer is realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two.

(4) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on the Issuer's mobile networks.

Key Income Statement Items

Revenue

Prior to January 1, 2018

Revenue consists of income generated from the delivery of fixed-based services to our B2C and B2B customers, mobile services to our B2C and B2B customers, wholesale and other services. Revenue is recognized at the fair value of the consideration received or receivable net of value added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group.

Fixed-based B2C services: Revenue from fixed-based services consists of revenue from pay television services, including related services such as Video on Demand ("VoD"), broadband internet services, fixed-line telephony services and ISP services to our customers. This primarily includes (i) recurring subscription revenue for pay television services, broadband internet and fixed-line telephony (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from VoD and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii) installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

Mobile B2C services: Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our post-paid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

Wholesale and B2B fixed and mobile services: Revenue from wholesale services primarily consists of revenues derived from renting our network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, including mobile virtual network operations ("MVNOs") as well as related maintenance services. Revenue from B2B services is the same as the above fixed and mobile services, but for the business sector.

Others: Revenue from our other services primarily consists of revenue from other businesses, such as (i) press activities, (ii) media content production and distribution, (iii) advertising, (iv) customer services, (v) technical services, and (vi) other activities that are not related to our core fixed or mobile businesses.

On and after January 1, 2018

Impact of IFRS 15 on Revenue Recognition

In May 2014, the International Accounting Standards Board issued IFRS 15, which establishes a single comprehensive 5-step model to account for revenue arising from contracts with customers. IFRS 15 superseded all current revenue recognition guidance when it became effective for annual periods on January 1, 2018. The Issuer is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and has the option to either (i) 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 or (ii) 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. The Issuer has decided to adopt IFRS 15 based on the full retrospective approach. As a result, the Historical Combined Financial Information for the three months ended March 31, 2018 and the comparative period for the three months ended March 31, 2017 give effect to the application of IFRS 15 for such periods.

The Issuer anticipates that the application of IFRS 15 may have a material impact on the amounts reported and the disclosures made in its consolidated financial statements that have not been restated. The assessment phase has now been completed and the implementation plan is in progress. The most significant anticipated effects of IFRS 15 on the Issuer's reporting are outlined below.

Mobile Activities: The most significant impact is expected in the Group's mobile activities (B2C and B2B transactions) as some arrangements include multiple elements that are bundled, such as a discounted handset sale coupled with a communication service component. In applying IFRS 15, the Issuer has identified such bundled items as separate performance obligations. Total revenue will be allocated to both elements based on their standalone selling price, leading to more revenue being allocated to the handset up-front, even though total revenue would not change in most cases over the life of the contract. Other IFRS 15 impacts include (i) the capitalization of commissions which will be broader than the current capitalization model, along with depreciation patterns which will require estimates relating to contract duration in some instances and (ii) the impact of early termination and early renewals as well as contract modifications. Further, B2B transactions will be affected by variable considerations such as bonuses and, in some instances, the identification of options for additional handsets at discounted prices.

Fixed Activities: In most cases, fixed services and equipment will not be considered as distinct performance obligations. Additional services will be examined separately. Connection fees, related costs and the capitalization of commissions will also be affected, including the determination of the depreciation period for capitalized assets based on the length of contractual periods and any additional periods related to anticipated contracts that the Group can specifically identify.

Wholesale Activities: No major impact has been identified except for the effect of any constraints on variable consideration.

Other Activities: No major impact has been identified so far on the Group's other revenue streams, such as content and media.

Purchasing and subcontracting

Purchasing and subcontracting services consist of direct costs associated with the delivery of fixed-based services to our B2C and B2B customers, mobile services to our B2C and B2B customers, wholesale and other services. We present purchasing and subcontracting services paid for the procurement of the following services:

Fixed-based services: Purchasing and subcontracting services associated with fixed-based services consist of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licenses to broadcast, (ii) transmission of data services and (iii) interconnection costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and accounting variations arising from changes in inventories of customer premises equipment (such as modems, set-top boxes and decoders).

Mobile services: Purchasing and subcontracting services associated with mobile services consist primarily of mobile interconnection fees, including roaming charges and accounting variations arising from the changes in inventories of mobile handsets.

Wholesale: Purchasing and subcontracting services associated with wholesale primarily consist of costs associated with delivering wholesale services to other operators.

Others: Other purchasing and subcontracting services consist of the (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (such as power and water supply costs), (iii) in relation to the content activity of the Group, technical costs associated with the delivery of content, such as satellite rental costs, (iv) since the acquisition of Altice Technical Services France, in our technical services business, the cost of raw materials used in the technical activities related to the construction and maintenance of the network, cables for customer connections, etc., and sub-contractor fees associated with the performance of basic field work and the supervision of such sub-contractors, and (v) since the acquisition of Altice Customer Services, direct costs related to our call center operations, such as service expenses, telecom consumption subscriptions and energy costs, in our customer services functions.

Other operating expenses

Other operating expenses primarily consist of the following subcategories:

Customer service costs: Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centers, allowances for bad customer debts and recovery costs associated therewith.

Technical and maintenance: Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacenter equipment, maintenance and upkeep of the fixed-based and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalized (such as service visits, disconnection and reconnection costs).

Business taxes: Business taxes include all costs related to payroll and professional taxes or fees.

General and administrative expenses: General and administrative expenses consist of office rent and maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses.

Other sales and marketing expenses: Other sales and marketing expenses consist of advertising and sales promotion expenses, office rent and maintenance, commissions for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Staff costs and employee benefit expenses

Staff costs and employee benefit expenses are comprised of all costs related to wages and salaries, bonuses, social security, pension contributions and other outlays paid to Group employees.

Depreciation, amortization and impairment

Depreciation, amortization and impairment includes depreciation of tangible assets related to production, sales and administrative functions and the amortization of intangible assets.

Non-recurring income and expenses

Non-recurring income and expenses includes any one-off or non-recurring income or expenses incurred during the on-going financial year. This includes deal fees paid to external consultants for merger and acquisition activities, restructuring and other non-recurring costs related to those acquisitions or the business in general, any non-cash operating gains or losses realized on the disposal of tangible and intangible assets and management fees paid to related parties.

Financial income

Financial income consists of changes in the net fair value of the financial derivatives, gains from the disposal of financial assets, net exchange rate differences, and other financial income.

Cost of gross financial debt

Cost of gross financial debt includes interest expenses recognized on third party debt (excluding other long term liabilities, short term liabilities and other finance leases) incurred by the Group.

Other financial expenses

Other financial expenses include other financial expenses not related to the third party debt (excluding other long term liabilities and short term liabilities, other than finance leases) incurred by the Group. Such expenses primarily include interest costs of finance leases, variations in the fair value of non-hedged derivative instruments and the inefficient portion of hedged derivative instruments.

Share in net income (loss) of associates

Share in net income (loss) of associates consists of the net result arising from activities that are accounted for using the equity method in the consolidation perimeter of the Group.

Income tax income (expenses)

Income tax income (expenses) are comprised of current tax and deferred tax. Taxes on income are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity.

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit before depreciation and amortization, impairment and losses, other operating and non-recurring items and other adjustments (equity-based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is useful to readers of our financial as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. Adjusted EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies.

Discussion and Analysis of Our Results of Operations

For the three months ended March 31, 2018 compared to the three months ended March 31, 2017

The below table sets forth our consolidated statement of income for the three months ended March 31, 2018 and 2017, in millions of Euros:

	March 31, 2018[1]	**March 31, 2017 (restated)[1]**	**Change**
	(in € millions)		
Revenues	**2,576**	**2,661**	***(3.2)%***
Purchasing and subcontracting	(852)	(990)	*(14.0)%*
Other operating expenses	(654)	(660)	*(1.0)%*
Staff costs and employee benefit expenses	(183)	(239)	*(23.5)%*
Depreciation, amortization and impairment	(613)	(564)	*8.7%*
Non-recurring income and expenses	(220)	(103)	*113.6%*
Operating income	**54**	**105**	***(48.6%)***
Financial income (loss) of associates	1	1	*144.8%*
Cost of gross financial debt	(188)	(193)	*(2.5%)*
Other financial expenses	(12)	(14)	*(11.0)%*
Net financial income (expense)	**(200)**	**(207)**	***(3.5)%***
Share in net income (loss) of associates	(0)	1	*(128.7)%*
Income (loss) before taxes	**(146)**	**(101)**	***44.6%***
Income tax income (expense)	24	14	*71.4%*
Net income (loss) from continuing operations	**(122)**	**(88)**	***38.6%***
Net income (loss)	**(122)**	**(88)**	***38.6%***
Group share	**(119)**	**(86)**	***38.4%***
Non-controlling interests	**(3)**	**(2)**	***71.3%***

[1] The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of income for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information.

Significant Events Affecting Historical Results

For the three months ended March 31, 2018

Altice Group Reorganization

On January 8, 2018, Altice Europe announced the separation of Altice USA from Altice Europe. The separation was effected by a spin-off of Altice Europe's 67.2% interest in Altice USA through a distribution in kind to Altice Europe shareholders (the "**Spin-Off**"). Altice Europe announced completion of the Spin-Off on June 8, 2018. Following the Spin-Off, Altice N.V. changed its name to Altice Europe N.V. The Altice Europe Group will reorganize its structure comprising the Group, Altice International and Altice TV.

In connection with the reorganization, Altice Europe also announced that existing content wholesale contracts between the Group and AENS, a subsidiary of Altice TV, would be cancelled and replaced by a new revenue sharing contract with a lower guaranteed minimum income. The Issuer and AENS are currently in the process of agreeing the final terms of the revised contract, which we expected to be finalized in the fourth quarter of 2018. AENS will be eligible to receive an indemnity of €300 million as part of the renegotiation. This amount has been recorded as expenses in the Group's financial statements as of March 31, 2018. The Issuer and AENS are in the process of agreeing the final terms of the new contract.

The Group will also acquire the shares held by Altice International in Altice Blue Two, Altice Technical Services France and Altice Customer Services. The total amount of these transactions is expected to amount to €710 million. See "*Recent Developments*".

Agreement with ARCEP concerning "Zones blanches" sites

On January 14, 2018, the Group, along with the operators in the French telecom market, reached an agreement with the French telecom regulator ("ARCEP") and the French government 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 an extension of the existing spectrums bands (900/1800/2100 Mhz), the Group has agreed to extend 4G coverage to all mobile sites (and 75% of the Zones blanches sites) by 2020 and to all Zones blanches sites by 2022.

Altice Europe entered into an exclusivity agreement for the sale of its international wholesale voice carrier business

On March 12, 2018, Altice Europe and the Group announced that it had entered into an exclusivity agreement 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 is part of the Group's non-core asset disposal program and is intended to strengthen the Group's long-term balance sheet position with a view to improving the operational and financial results of its key franchises.

In accordance with 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 line items in the statement of financial position for the amounts of €77 million and €(81) million, respectively; since the impact on the statement of income and the statement of cash flows is not substantial, these statements were not restated. The international wholesale voice carrier generated revenue of €240 million and Adjusted EBITDA of €10 million as of and for the year ended December 31, 2017, and revenue of €40 million and Adjusted EBITDA of €2 million as of and for the three months ended March 31, 2018.

For the three months ended March 31, 2017

Decision of the French Competition Authority against the Altice Europe Group and the Group

By Decision No. 14 DCC 150, dated October 30, 2014, the French Competition Authority authorized the 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 (the "Faber Agreement"). Under the terms of the Faber 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.

Although the Group already had very high speed capabilities through its FTTB cable network, the French Competition Authority considered that the takeover of SFR by the Group may cast doubt over SFR's incentive to honor its commitments to its joint investors, and in particular to Bouygues Telecom under the Faber Agreement. To address this potential risk, the French Competition Authority requested that commitments be made to guarantee that the new group would supply the buildings requested by Bouygues Telecom under the Faber Agreement. These commitments covered three main points:

1. The obligation to provide distribution services for all termination points delivered as of October 30, 2014 within two years;

2. The drafting 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); and

3. The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using certain quality indicators.

By Decision No. 15 SO 14, dated October 5, 2015, the French Competition Authority opened an inquiry to determine whether the Altice Europe Group and the Group are complying with these commitments.

By Decision No. 17 D04, dated March 8, 2017, the French Competition Authority decided to levy a financial sanction of €40 million against the Altice Europe Group and the Group and imposed periodic penalty payments for not having respected the commitments set out in the Faber Agreement. This amount was recognized in the Group's financial statements as of March 31, 2017 and was paid over the second quarter of 2017.

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, the Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum, a subsidiary of the Group, regarding two enforcement measures issued by the department of Hauts-de-Seine in respect of penalties in the amounts of €51.6 million and €45.1 million. Sequalum appealed these decisions before the Administrative Court of Versailles. Following the dismissal by the Administrative Court of Versailles, the penalties were paid to the "Tresor Public" in July 2017.

Restructuring

On August 4, 2016, the Group's management and some representative unions of the Group's 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 and the conditions for voluntary departures implemented in the second half of 2016. This agreement set out three steps:

1. the reorganization of retail stores, presented to the staff representatives on September 2016, resulting in a voluntary departure plan as of the fourth quarter of 2016 and 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 a 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 of the Group; 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.

The Group made a commitment that its telecoms 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 in March 2017 with the validation of approximately 800 employee departures. By 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 a majority of the representative unions of the Group's telecoms division. It specified the external mobility scheme offered to the employees for the period prior to June 30, 2017. As of June 30, 2017, 1,360 employees benefited from GPEC's "Mobilité Volontaire Sécurisée" plan, and benefited in priority from the voluntary departure plan.

Revenue

From January 1, 2018, the Group has implemented the new standard on revenue recognition, IFRS 15, as decreed and adopted by the European Union. As a result, the presentation and recognition of our revenues was adopted to accurately reflect the requirements of the standard. See Notes 1.3 and 19 to the condensed consolidated financial statements for the three months ended March 31, 2018 included elsewhere in these Listing Particulars.

For the three months ended March 31, 2018, we generated total revenues of €2,576 million, a 3.2% decrease compared to €2,661 million for the three months ended March 31, 2017. The decrease in revenues was primarily due to a decrease in revenue from our telecommunication activities, and a decrease in our media activities due to the exclusion in 2018 of revenues from press businesses sold during the year 2017.

The tables below set forth the Group's revenue by lines of activity which the Group operates for the three months ended March 31, 2018 and March 31, 2017, respectively:

	March 31, 2018[(1)]	**March 31, 2017 (restated)**[(1)]	**Change**
		(in € millions)	
Mobile services	1,011	1,020	*(1.0)%*
Mobile equipment	183	167	*9.6%*
Fixed	981	1,028	*(4.6)%*
Wholesale	290	318	*(8.7)%*
Media	111	127	*12.6%*
Total	**2,576**	**2,661**	**(3.2)%**

[(1)] The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of income for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information. For the year ended December 31, 2017, the impacts of IFRS 15 on the Group's revenues were €(95) million.

Mobile services: Revenues for the Group's mobile services decreased from €1,020 million for the three months ended March 31, 2017 to €1,011 million for the three months ended March 31, 2018, a 1.0% decrease. This decrease was driven primarily by continued pricing pressure on mobile offers for our B2C base, impacts of customer loss from previous quarters (with approximately 14,378,000 mobile B2C subscribers as of December 31, 2017 compared to approximately 14,625,000 mobile B2C subscribers as of December 31, 2016) and the repricing of the B2B mobile base in Q2 17. For the three months ended March 31, 2018, the Group added approximately 239,000 new mobile B2C customers (compared to approximately 68,000 for the three months ended March 31, 2017), as a result of an improved customer experience and anti-churn measures implemented in the end of 2017. B2C mobile revenue was also impacted by the loss of favourable VAT treatment on telecom/press bundles (ended in February 2018). B2B mobile net-adds remained negative during the period, but there was a stabilisation of the ARPU, following measures taken from the first half of 2017 onwards to correct back book price reductions.

Mobile equipment: Mobile equipment revenues grew by 9.6% from €167 million for the three months ended March 31, 2017 to €183 million for the three months ended March 31, 2018, primarily driven by the uptake in new, more expensive mobile handsets and the increase in mobile net-adds in the first quarter of 2018.

Fixed: The Group's fixed segment revenues decreased by 4.6% from €1,028 million for the three months ended March 31, 2017 to €981 million for the three months ended March 31, 2018. This decrease was primarily due to customer losses experienced in previous quarters (with approximately 5,943,000 total fixed B2C unique customers as of December 31, 2017 compared to approximately 6,113,000 total fixed B2C unique customers as of December 31, 2016) and partly impacted by more intense market competition following the Group's successful churn reduction and more proactive retention activity. For the first quarter of 2018, the Group added approximately 71,000 new B2C fixed customers (compared to approximately 35,000 losses for the first quarter of 2017), with approximately 96,000 fiber/cable customer net adds (offset by approximately 25,000 losses in DSL customers). B2C fixed revenue was also impacted by the loss of favourable VAT treatment on telecom/press bundles (ended in February 2018).

Wholesale: Wholesale revenues decreased by 8.7% to reach €290 million for the three months ended March 31, 2018 from €318 million for the three months ended March 31, 2017. The decrease was primarily due to a decrease in revenues from MVNO operators and a decline in the international wholesale voice business.

Media: Revenues from the Group's media activities totalled €111 million for the three months ended March 31, 2018, a 12.9% decrease as compared to €127 million for the three months ended March 31, 2017. This decrease was driven by the sale of certain press businesses in the second half of 2017 and the first quarter of 2018, thus impacting 2018 revenues. The press businesses contributed approximately €30 million for the three months ended March 31, 2017 and approximately €3 million for the three months ended March 31, 2018.

Adjusted EBITDA

For the three months ended March 31, 2018, our Adjusted EBITDA was €888 million, an increase of 14.4% compared to the three months ended March 31, 2017 (€776 million). A reconciliation from operating income to Adjusted EBITDA is presented below. This increase was primarily due to a decrease in content and staff costs, offset partially by the decrease in revenues described above.

- *Purchasing and subcontracting*: Purchasing and subcontracting costs decreased by 14.0%, from €990 million in the three months ended March 31, 2017 to €852 million in the three months ended March 31, 2018, primarily driven by a decrease in content costs for premium content supplied by other Altice Europe Group companies following the reorganization of the Altice Europe Group and the creation of the new Altice TV unit announced in January 2018.

- *Other operating expenses*: Other operating expenses decreased by 1.0% to €654 million in the three months ended March 31, 2018 from €660 million in the three months ended March 31, 2017, primarily driven by a decrease in sales and marketing and customer service costs.

- *Staff costs and employee benefit expenses*: Staff costs and employee benefit expenses decreased by 23.5%, from €239 million in the three months ended March 31, 2017 to €183 million in the three months ended March 31, 2018, primarily driven by a decrease in employee numbers as part of the voluntary restructuring plan launched in 2017.

	March 31, 2018[(1)]	**March 31, 2017 restated[(1)]**	**Change**
		(in € millions)	
Operating income	**54**	**105**	***(48.6)%***
Depreciation, amortization and impairment	613	564	*8.7%*
Net restructuring costs	0	16	*(100.7)%*
Other non-recurring costs[(2)]	220	90	*144.4%*
Adjusted EBITDA	**888**	**776**	***14.4%***

[1] The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of income for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information. For the year ended December 31, 2017, the impacts of IFRS 15 on the Group's revenues and Adjusted EBITDA were €(95) million and €(78) million respectively.

[2] Other non-recurring costs primarily include litigation costs, gain and loss on disposal of property, plant, equipment and intangible assets and other non-recurring income and expenses. See *"—Non-recurring income and expenses"* below.

Depreciation, amortization and impairment

For the three months ended March 31, 2018, depreciation, amortization and impairment totalled €613 million, an 8.7% increase compared to €564 million for the three months ended March 31, 2017. This increase was primarily due to the continued investment in network improvements and other capital expenditures.

Non-recurring income and expenses

For the three months ended March 31, 2018, our non-recurring expenses totalled €220 million, a 113.6% increase compared to €103 million for the three months ended March 31, 2017. A detailed breakdown of other expenses income is provided below:

	March 31, 2018	March 31, 2017 (restated)	Change
		(in € millions)	
Net restructuring costs[1]	0	(16)	*(100.0)%*
Litigation[2]	121	(54)	*(324.1)%*
Gain and loss on disposal of property, plant, equipment and intangible assets	(2)	(27)	*(92.9)%*
Other non-recurring income and expenses[3]	(340)	(5)	*6,700.0%*
Non-recurring income and expenses	**(220)**	**(103)**	***113.6%***

[1] Net restructuring costs for the three month period ended March 31, 2017 primarily include costs related to provisions for employee redundancies as part of the voluntary departure plan launched in 2017. No such costs were incurred in 2018.

[2] For March 31, 2018, litigation includes the write-back of provisions related to various litigations following settlement agreements and judgements received in June 2018, compared to the three month period ended March 31, 2017, where we notably recorded a provision for the Faber litigation with Bouygues Telecom (€40 million). See Notes 2 and 18 to the Group's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2018.

[3] For March 31, 2018, other non-recurring costs includes the break-up fee with AENS, a subsidiary of Altice TV (€300 million).

Net financial income (expense)

Net financial expense amounted to €200 million for the three months ended March 31, 2018, a decrease of 3.5% compared to €207 million for the three months ended March 31, 2017. This decrease in net financial expenses was primarily due to decreases in the cost of gross financial debt and other financial expenses, as described below. A detailed breakdown of net financial expense is provided below:

	March 31, 2018	March 31, 2017 (restated)	Change
		(in € millions)	
Cost of gross financial debt	**(188)**	**(193)**	***(2.5)%***
Other financial income	**1**	**1**	***144.8%***
Financial income	**1**	**1**	***144.8%***
Provisions and unwinding of discount	(4)	(6)	*(21.3)%*
Other	(8)	(8)	*(4.2)%*
Other financial expenses	**(12)**	**(14)**	***(11.0)%***
Net financial income (expense)	**(200)**	**(207)**	***(3.5)%***

Financial income

For the three months ended March 31, 2018, our financial income remained stable compared to the three months ended March 31, 2017.

Cost of gross financial debt

For the three months ended March 31, 2018, our cost of gross financial debt totalled €188 million, a 2.6% decrease compared to €193 million for the three months ended March 31, 2017. This decrease was primarily driven by a decrease in our cost of debt following the refinancing activity during the year 2017. See "—*Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results—Refinancing of loans.*"

Other financial expenses

For the three months ended March 31, 2018, our other financial expenses totalled €12 million, a 14.3% decrease compared to €14 million for the three months ended March 31, 2017. This decrease was primarily due to a decrease in the costs related to unwinding of discounted debts.

Share in net income (loss) of associates

For the three months ended March 31, 2018, our share in net income (loss) of associates remained stable compared to the three months ended March 31, 2017.

Income tax income (expense)

For the three months ended March 31, 2018, we recorded an income tax income of €24 million, a 71.4% increase compared to an income tax income of €14 million for the three months ended March 31, 2017. The increase in income tax income was primarily as a result of the deferred tax impact of the break fee with AENS incurred in the three months ended March 31, 2018.

For the year ended December 31, 2017 compared to the year ended December 31, 2016

The below table sets forth our consolidated statement of income for the year ended December 31, 2016 and 2017, in millions of Euros:

	December 31, 2017[1]	**December 31, 2016[1]**	**Change**
	(in € millions)		
Revenues	**10,916**	**10,991**	*(0.7)%*
Purchasing and subcontracting	(4,026)	(3,961)	*1.6%*
Other operating expenses	(2,308)	(2,263)	*2.0%*
Staff costs and employee benefit expenses	(877)	(945)	*(7.2)%*
Depreciation, amortization and impairment	(2,754)	(2,435)	*13.1%*
Non-recurring income and expenses	(980)	(432)	*126.9%*
Operating income	**(28)**	**954**	***(103.0)%***
Financial income	209	10	*1990.0%*
Cost of gross financial debt	(1,099)	(1,043)	*5.4%*
Other financial expenses	(177)	(78)	*126.9%*
Net financial income (expense)	**(1,068)**	**(1,111)**	***(3.9)%***
Share in net income (loss) of associates	(11)	(4)	*174.5%*
Income (loss) before taxes	**(1,107)**	**(161)**	***587.6%***
Income tax income (expense)	392	(57)	*(787.7)%*
Net income (loss) from continuing operations	**(715)**	**(218)**	***227.5%***
Net income (loss) from discontinued operations	—	—	—
Net income (loss)	**(715)**	**(218)**	***227.5%***
Group share	**(693)**	**(210)**	***229.4%***
Non-controlling interests	**(22)**	**(8)**	***174.9%***

(1) The financial information for these periods presented have not been restated for the impacts of IFRS 15. For the year ended December 31, 2017, the impacts of IFRS 15 on the Group's revenues, Adjusted EBITDA and capital expenditures were €(95) million, €(78) million and €18 million, respectively.

Significant Events Affecting Historical Results

For the year ended December 31, 2017

Decision of the French Competition Authority against the Altice Europe Group and the Group

By Decision No. 14 DCC 150, dated October 30, 2014, the French Competition Authority authorized the Numericable Group, a subsidiary of the Altice Europe 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 (the "Faber Agreement"). Under the terms of the Faber 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.

Although the Group already had very high speed capabilities through its FTTB cable network, the French Competition Authority considered that the takeover of SFR by the Group may cast doubt over SFR's incentive to honor its commitments to its joint investors, and in particular to Bouygues Telecom under the Faber Agreement. To address this potential risk, the French Competition Authority requested that commitments be made to guarantee that the new group would supply the buildings requested by Bouygues Telecom under the Faber Agreement. These commitments covered three main points:

1. The obligation to provide distribution services for all termination points delivered as of October 30, 2014 within two years;

2. The drafting 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); and

3. The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using certain quality indicators.

By Decision No. 15 SO 14, dated October 5, 2015, the French Competition Authority opened an inquiry to determine whether the Altice Europe Group and the Group are complying with these commitments.

By Decision No. 17 D04, dated March 8, 2017, the French Competition Authority decided to levy a financial sanction of €40 million against the Altice Europe Group and the Group and imposed periodic penalty payments for not having respected the commitments set out in the Faber Agreement. This amount was recognized in the Group's financial statements as of March 31, 2017 and was paid over the second quarter of 2017.

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 stated that there was no matter to be referred. On September 28, 2017, the French Supreme Court rejected the request of the Altice Europe Group and the Group to cancel the French Competition Authority's decision.

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, the Administrative Court of Cergy Pontoise rejected the actions brought by Sequalum, a subsidiary of the Group, regarding two enforcement measures issued by the department of Hauts-de-Seine in respect of penalties in the amounts of €51.6 million and €45.1 million. Sequalum appealed these decisions before the Administrative Court of Versailles. Following the dismissal by the Administrative Court of Versailles, the penalties were paid to the "Tresor Public" in July 2017.

Restructuring

On August 4, 2016, the Group's management and some representative unions of the Group's 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 and the conditions for voluntary departures implemented in the second half of 2016. This agreement set out three steps:

1. the reorganization of retail stores, presented to the staff representatives on September 2016, resulting in a voluntary departure plan as of the fourth quarter of 2016 and 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 a 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 of the Group; 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.

The Group made a commitment that its telecoms 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 in March 2017 with the validation of approximately 800 employee departures. By 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 a majority of the representative unions of the Group's telecoms division. It specified the external mobility scheme offered to the employees for the period prior to June 30, 2017. As of June 30, 2017, 1,360 employees benefited from GPEC's "Mobilité Volontaire Sécurisée" plan, and benefited in priority from the voluntary departure plan.

Finally, the "Livre 2", a legally binding document that described the target organization of the Group's telecoms division was delivered to the representative unions on April 3, 2017. The validation commissions began in July. A restructuring provision was recognized for this voluntary departure plan and 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 November 2017 (except for SRR) with the validation of approximately 3,200 employee departures. Following this validation, a reversal of provision, amounting to €700 million (of which €675 million was utilized) was recognized as of December 31, 2017 and replaced by payables for an amount of €675 million. Of the €675 million, €262 million was paid out in 2017, and the remainder in payables is for an amount of €413 million (of which approximately €130 million has been paid as of March 31, 2018, with the remainder expected to be paid during 2019) as of December 2017. Additionally, following the disposal of SFR Service Client in December 2017, the remaining provision of €9 million attributable to SFR Service Client was derecognized. See Note 5 to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2017. The residual amount of €32 million was recognized in provisions as of December 31, 2017.

Refinancing of loans

On April 18, 2017, the Group raised new term loans in order to refinance a portion of its existing term loans. The Group refinanced two existing tranches, term loan B7 (denominated in US Dollars) and term loan B9 (denominated in Euros) by issuing two new tranches, term loan B11 (denominated in US Dollars) and term loan B11 (SG) (denominated in Euros). At the time of the refinancing, the amount outstanding under term loan B7 was US$1,414 million and the amount outstanding under term loan B9 was €296 million. The amounts outstanding under the new term loans amounted to US$1,420 million and €300 million. Ypso France S.A.S., as borrower under certain of the existing term loans, refinanced existing term loan B7 (denominated in Euros) with a new term loan B11 (YF) (denominated in Euros). At the time of the refinancing, the amount outstanding under existing term loan B7 was €843 million. The amount outstanding under the new term loan B11 amounted to €845 million.

These refinancings allowed the Group to extend the maturities of certain existing term loans as follows:

- Term loan B7 (denominated in US Dollars) was originally set to mature in January 2024, while the new term loan B11 (denominated in US Dollars) is set to mature in July 2025, thereby creating an extension of 18 months.

- Term loan B9 (denominated in Euros) was originally set to mature in July 2023, while the new term loan B11 (SG) (denominated in Euros) is set to mature in July 2025, thereby creating an extension of 24 months.

- Term loan B7 (denominated in Euros) was originally set to mature in April 2023, while the new term loan B11 (YF) (denominated in Euros) is set to mature in July 2025, thereby creating an extension of 27 months.

- These refinancings also allowed the Group to reduce the cost of certain existing term loans as follows:

- Term loan B7 (denominated in US Dollars) originally bore interest at a rate of three-month LIBOR (with a 0.75% floor) plus a margin of 4.25%, while the new term loan B11 (denominated in US Dollars) bears interest at a rate of at three-month LIBOR (with a 0% floor) plus a margin of 2.75%. This represents a decrease in cost of 1.50%. Moreover, at the time of the refinancing, three-month LIBOR was higher than the former floor of 0.75%.

- Term loan B9 (denominated in Euros) originally bore interest at a rate of three-month EURIBOR (with a 0.75% floor) plus a margin of 3.25%, while the new term loan B11 (SG) (denominated in Euros) bears interest at a rate of three-month EURIBOR (with a 0% floor) plus a margin of 3.00%. This represents a decrease of 0.25% in the margin and also a decrease of 0.75% in the floor, as three-month EURIBOR was negative at the time of the refinancing.

- Term loan B7 (denominated in Euros) originally bore interest at a rate of three-month EURIBOR (with a 0.75% floor) plus a margin of 3.75%, while the new term loan B11 (YF) (denominated in Euros) bears interest at a rate of three-month EURIBOR (with a 0% floor) plus a margin of 3.00%. This represents a decrease of 0.75% in the margin and also a decrease of 0.75% in the floor, as 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 therefore the issuance costs capitalized in previous periods were rolled over onto the new debt as per IAS 39. Following these improvements in the terms of the Group's existing debt, 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 due under the existing debt denominated in US Dollars before and after the refinancing, there have been no changes to the Group's hedging instruments.

On October 9, 2017, the Group successfully priced €2.9 billion (equivalent) of new 8.25-year term loans. Proceeds were used to refinance the Group's €697 million and $1.8 billion term loans due 2025, and to repay €600 million of commercial paper.

These refinancings allowed the Group to extend the maturities of certain existing term loans as follows:

- Term loan B10 (denominated in US Dollars) was originally set to mature in January 2025, while the new term loan B12 (denominated in US Dollars) is set to mature in January 2026, thereby creating an extension of 12 months.

- Term loan B10 (denominated in Euros) was originally set to mature in January 2025, while the new term loan B12 (denominated in Euros) is set to mature in January 2026, thereby creating an extension of 12 months.

- These refinancings also allowed the Group to reduce the cost of certain existing term loans as follows:

- Term loan B10 (denominated in US Dollars) originally bore interest at a rate of LIBOR (with a 0.75% floor) plus a margin of 3.25%, while the new term loan B12 (denominated in US Dollars) bears interest at a rate of LIBOR (with a 0% floor) plus a margin of 3.00%. This represents a decrease in cost of 0.25%. Moreover, at the time of the renegotiation, three-month LIBOR was higher than the former floor of 0.75%.

- Term loan B10 (denominated in Euros) originally bore interest at a rate of EURIBOR (with a 0.75% floor) plus a margin of 3.00%, while the new term loan B12 (denominated in Euros) bears interest at a rate of EURIBOR (with a 0% floor) plus a margin of 3.00%. This represents a decrease in cost of 0.75% and a decrease in the floor, as three-month EURIBOR was negative at the time of the refinancing.

The average maturity of the Group's capital structure was extended from 6.8 to 7.2 years and the weighted average cost of debt decreased to 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 to the to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2017.

Closing of the sale of the B2B Press activity

On April 28, 2017, the Group completed the sale of the companies from Newsco's B2B activities and L'Etudiant to the holding company Coalition Media Group. The Group subsequently acquired a 25% stake in this holding. As part of the transaction, the vendor loan contracted during the acquisition of the AMGF Group for €100 million was fully reimbursed. The Group recorded a €28 million capital gain.

In accordance with 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 line 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 Europe rebranding

During the second quarter of 2017, Altice Europe announced its new branding strategy which was expected to represent the transformation of the Altice Europe 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 was expected to replace the current brands within Altice Europe's subsidiaries.

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

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

However, in December 2017, Altice Europe's board of directors made a decision to postpone the adoption of the global brand, 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 the SFR brand's residual useful life, the Group applied an accelerated amortization on the SFR brand in its 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 the 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 an equity method to a full consolidation.

Repricing of certain derivative instruments

In July 2017, the Group monetized a part of the latent gains in certain derivative financial instruments through the repricing and extension of the maturity of these financial instruments. An aggregate amount of US$2,150.5 million, initially exchanged at a rate of 1.3827 (EUR/US Dollar), was repriced to an average rate of 1.223 (EUR/US Dollar), with an extension of maturity from 2022 to 2025. As a result of the repricing, the

Group recognized a financial gain of €203.1 million against a cash payment for the same amount. The repriced swaps (with the exception of one swap) were requalified for hedge accounting following the transactions.

Tax dispute related to VTI

In December 2014, the tax authorities contested the merger of Vivendi Telecom International ("VTI") and SFR in December 2011 and intended to challenge SFR's inclusion in the Vivendi tax consolidation group for the fiscal year ended 2011. The proposed assessment was cancelled in November 2017.

For the year ended December 31, 2016

Takeover of Numergy

In January 2016, we entered into an agreement with Bull and Caisse des Dépôts to acquire their stake in Numergy, following which Numergy's results were fully consolidated into the consolidated financial statements of the Group.

Approval by the French Competition Authority of the Kosc consortium's acquisition of Completel's DSL network

On December 22, 2015, the French Competition Authority approved the KOSC consortium's proposed acquisition of Completel's DSL network, which is comprised of OVH, Cofip, Kapix and Styx. In 2014, the French Competition Authority had authorized the SFR Acquisition subject to the Group's agreement to sell the Completel DSL network in order to eliminate any risk of adversely affecting competition in the markets for business-specific fixed-line telecommunications services.

This sale, finalized on March 18, 2016, means that Group can honor the last of its two structural commitments required by the French Competition Authority in connection with the SFR Acquisition.

Acquisition of Altice Europe's minority stake in NextRadioTV and acquisition of SFR Presse

We acquired NextRadioTV and SFR Presse on May 12, 2016 and May 25, 2016, respectively. NextRadioTV and SFR Presse contributed eight months and seven months to the consolidated revenue for the year ended December 31, 2016, respectively, which amounts in the aggregate to €301 million.

Sanctions by the French Competition Authority

On April 9, 2016, the French Competition Authority found that there was non-performance of commitment 2.1.3.1 related to the sale of the mobile telecommunication activities of the Group's operations in the French Overseas Territories of Réunion and Mayotte under Decision 14-DCC-160 of October 30, 2014 concerning the exclusive takeover of SFR by the Group, and levied a financial sanction of €15 million jointly against Altice Luxembourg S.A. and SFR. SFR disputed this decision before the Council of State. However, as the risk is borne by the Altice Europe Group, no provision has been recognized in the financial statements of the Group.

On November 8, 2016, the French Competition Authority ordered the Group and the Altice Europe Group to pay €80 million for violating the suspensive nature of the control of concentrations during the acquisitions of SFR and Virgin Mobile in 2014. The practices denounced, which aimed to make the new entity operational as quickly as possible after the operation was authorized, were implemented in good faith and in an uncertain legal context. The Group chose not to dispute the allegations and accepted the settlement proposed by the French Competition Authority. The choice to settle resulted from a desire to limit the financial risk incurred by the Group with regard to the level of sanction provided for by the Commercial Code for this type of procedural violation. This fine was paid in full by the Group in February 2017.

Operations on financial debt

Swaps

On February 16, 2016, the Group signed an interest rate swap agreement with JP Morgan Chase with the following features:

- Nominal: €4.0 billion

- Variable rate paid by the bank: 3-month Euribor

- Rate paid by the Group: (0.121%)

- Maturity: 7 years, but with a clause from the bank to advance the remaining cash flows at the end of 5 years.

The Group has continued its strategy to hedge financial risks by converting approximately two-thirds of its variable rate borrowings into fixed rates, and as a result, approximately 96% of the Group's long-term debt is fixed-rate.

The Group refinanced its debt for US$5.2 billion senior debt in April 2016

On April 7, 2016, the Group placed US$5.19 billion in senior debt with institutional investors. These amounts were used to refinance US$2.4 billion in debt maturing in 2019, refinance a US$450 million drawdown on the Existing Revolving Credit Facilities and, after approval of certain changes from the lenders, to refinance US$1.9 billion of existing term loans maturing in 2020.

New loans and refinancing in October 2016

In October 2016, the Group placed two new term loans with institutional investors, namely:

- a $1,790 million term loan with a January 2025 maturity, priced at 3.25% over Libor with a 0.75% floor and an OID of 99.75; and

- a €700 million term loan with a January 2025 maturity, priced at 3.00% over Euribor with a 0.75% floor and priced at par.

- This leverage-neutral refinancing was used to repay the following existing debts:

- $550 million term loan due June 2022, priced at 3.8125% over Libor with a 0.75% floor;

- $1,340 million term loan due January 2023 priced at 4.00% over Libor with a 0.75% floor;

- €500 million term loan due January 2023 priced at 4.00% over Euribor with a 0.75%; and

- €100 million of the aggregate principal amount outstanding under the Existing Revolving Credit Facilities.

The refinancing reduced the Group's weighted average cost of debt to 5.2% and extended its debt maturity profile to 7.6 years.

Consummation of the acquisition of SFR Presse

After entering into exclusive negotiations for the acquisition of SFR Presse, the Group finalized this acquisition on May 25, 2016. SFR Presse is a leading diversified media group in France, holding more than 20 major titles, and is comprised of emblematic brands such as *Libération*, *L'Express*, *L'Expansion*, *L'Étudiant*, and *Stratégies*. SFR Presse also operates the international news channel i24 News. SFR Presse is a leading player in events in France, particularly with its *Salon de l'Étudiant*, which has drawn 2 million visitors every year for more than thirty years. The transaction valued SFR Presse at an enterprise value of €241 million.

Revenue

For the year ended December 31, 2017, we generated total revenues of €10,916 million, a 0.7% decrease compared to €10,991 million for the year ended December 31, 2016. The decrease in revenues was primarily due to a decrease in revenue from our telecommunication activities, offset partially by an increase in revenues from our media activities (due to the full year integration of these activities compared to only seven months in 2016 following the acquisition of a controlling interest by the Group in NextRadioTV on May 12, 2016).

The tables below set forth the Group's revenue by lines of activity which the Group operates for the years ended December 31, 2017 and December 31, 2016, respectively:

	December 31, 2017[1]	December 31, 2016[1]	Change
	(in € millions)		
B2C	7,254	7,354	*(1.4)%*
B2B	1,857	2,013	*(6.9)%*
Wholesale	1,288	1,323	*(2.6)%*
Media	516	301	*71.4%*
Total	**10,916**	**10,991**	**(0.7)%**

[1] The financial information for these periods presented have not been restated for the impacts of IFRS 15. For the year ended December 31, 2017, the impacts of IFRS 15 on the Group's revenues.

B2C: Revenues for the Group's B2C services decreased from €7,354 million for the year ended December 31, 2016 to €7,254 million for the year ended December 31, 2017, a 1.4% decrease. This decrease was driven primarily by (i) growing competition and the resulting impact on subscriber numbers (approximately 247,000 mobile B2C subscribers were lost in 2017), (ii) pricing pressure on B2C services, primarily on mobile services, by low-cost market participants, and (iii) churn in our DSL customers (approximately 364,000 DSL customers were lost in 2017, which was only partially offset by an increase of approximately 193,000 in our fiber/cable customer base). This decrease was partially offset by an increase in higher value fiber customers (approximately 193,000 fibre/cable customer net adds in 2017). Towards the end of 2017, we noticed a positive net-adds trend on our B2C mobile customers, driven by improved focus on customer experience and retention initiatives.

B2B: The Group's B2B segment revenues decreased by 7.7% from €2,013 million for the year ended December 31, 2016 to €1,857 million for the year ended December 31, 2017. This decrease was primarily due to price reductions on contract pipeline applied in the first half of 2017, and a downward repricing of the mobile B2B base.

Wholesale: Wholesale revenues decreased by 2.6% from €1,323 million for the year ended December 31, 2016 to €1,288 million for the year ended December 31, 2017. This decrease was primarily due to a decrease in revenues from MVNO operators and a decline in the international wholesale voice business.

Media: Revenues from the Group's media activities totalled €516 million for the year ended December 31, 2017, a 71.7% increase as compared to €301 million for the year ended December 31, 2016. This increase in revenues was primarily due to the fact that the results of these activities were integrated for a full year in 2017, compared to only seven months in 2016.

Adjusted EBITDA

For the year ended December 31, 2017, our Adjusted EBITDA was €3,714 million, a decrease of 3.2% compared to the year ended December 31, 2016 (€3,838 million). A reconciliation from operating income to adjusted EBITDA is presented below. This decrease was primarily due to the decrease in revenues described above.

- *Purchasing and subcontracting*: Purchasing and subcontracting costs increased by 1.6%, from €3,961 million in the year ended December 31, 2016 to €4,026 million in the year ended December 31, 2017, primarily driven by an increase in content costs incurred with the addition of new exclusive sports and other content.

- *Other operating expenses*: Other operating expenses increased by 2.0% to €2,308 million in the year ended December 31, 2017 from €2,263 million in the year ended December 31, 2016. This increase was primarily driven by an increase in network maintenance costs and customer service costs.

- *Staff costs and employee benefit expenses*: Staff costs and employee benefit expenses decreased by 7.2%, from €945 million in the year ended December 31, 2016 to €877 million in the year ended December 31, 2017, driven by a decrease in employee numbers as part of the voluntary restructuring plan launched in 2017.

	December 31, 2017[1][2]	December 31, 2016[1]	Change
	(in € millions)		
Operating income	**(28)**	**954**	***(103.0)%***
Depreciation, amortization and impairment	2,754	2,435	*13.1%*
Net restructuring costs[2]	673	167	*302.9%*
Costs relating to stock option plans	2	4	*(50.0)%*
Other non-recurring costs[3]	314	278	*12.9%*
Adjusted EBITDA	**3,714**	**3,838**	***(3.2)%***

[1] The financial information for these periods presented have not been restated for the impacts of IFRS 15. For the year ended December 31, 2017, the impacts of IFRS 15 on the Group's revenues and Adjusted EBITDA were €(95) million and €(78) million.

[2] Net restructuring costs in 2017 primarily include costs related to provisions for employee redundancies as part of the voluntary departure plan launched in 2017. See "*—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results.*" In 2016, net restructuring costs includes the net restructuring costs related to the closure of retail stores in an amount of €37 million and the provision for restructuring of the retail stores for €98 million. In 2015, this item included the costs for early termination of leases of other office premises following the decision to co-locate all employees at the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).

[3] Other non-recurring costs primarily include litigation costs, gain and loss on disposal of property, plant, equipment and intangible assets and other non-recurring income and expenses. See *"—Non-recurring income and expenses"* below.

Depreciation, amortization and impairment

For the year ended December 31, 2017, depreciation, amortization and impairment totalled €2,754 million, a 13.1% increase compared to €2,435 million for the year ended December 31, 2016. This increase was primarily due to the accelerated amortisation of the SFR brand following the re-branding project announced by the Altice Europe Group in May 2017.

Non-recurring income and expenses

For the year ended December 31, 2017, our non-recurring income and expenses totalled €980 million, a 126.7% increase compared to €432 million for the year ended December 31, 2016. A detailed breakdown of other expenses income is provided below:

	December 31, 2017[1][2]	December 31, 2016[1]	Changes
	(in € millions)		
Net restructuring costs[2]	(673)	(167)	*301.8%*
Litigation[3]	(34)	(162)	*(78.8)%*
Gain and loss on disposal of property, plant, equipment and intangible assets[3][4]	(109)	(51)	*113.7%*
Other non-recurring income and expenses[5]	(164)	(52)	*215.4%*
Non-recurring income and expenses	**(980)**	**(432)**	***126.9%***

[1] The financial information for these periods presented have not been restated for the impacts of IFRS 15.

[2] Net restructuring costs in 2017 primarily include costs related to provisions for employee redundancies as part of the voluntary departure plan launched in 2017. See "*—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results.*" In 2016, net restructuring costs includes the net restructuring costs related to the closure of retail stores in an amount of €37 million and the provision for restructuring of the retail stores for €98 million. In 2015, this item included the costs for early termination of leases of other office premises following the decision to co-locate all employees at the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).

[3] Other non-recurring costs includes 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 Europe campus (€130 million). Litigation costs notably include the reversal of provision for VTI litigation (€101 million) as well as expenses relating to the Faber litigation (€40 million) and additional litigation costs incurred by Sequalum, a subsidiary of the Group (€66 million). See Note 33.1.2 to the consolidated financial statements of the Group as of and for the year ended December 31, 2017. Other non-recurring costs for the year ended December 31, 2016 includes net costs related to litigation (€162 million compared with €27 million as of December 31, 2015), net losses on property, plant and equipment and intangible

assets (€51 million compared with €188 million as of December 31, 2015) and the impact of contract renegotiation in the period (€13 million compared with €45 million as of December 31, 2015).

(4) The loss on disposal of assets primarily relates to the scrapping of assets prior to the assets being fully depreciated, this largely includes boxes and store furnishings following the closure of some retail stores.

(5) Other non-recurring income and expenses were primarily incurred pursuant to onerous contract provisions related to the expected vacancy of the current campus in Saint Denis (Paris), following the move to the new campus in Paris during the fourth quarter of 2017 (€130 million).

Net financial income (expense)

Net financial expense amounted to €1,068 million for the year ended December 31, 2017, registering a decrease of 3.9% compared to €1,111 million for the year ended December 31, 2016. This decrease in net financial expense was primarily due to an increase in financial income, partially offset by increases in cost of gross financial debt and other financial expenses, in each case, as described below. A detailed breakdown of net financial expense is provided below:

	December 31, 2017[1]	**December 31, 2016**[1]	**Change**
	(in € millions)		
Cost of gross financial debt	**(1,099)**	**(1,043)**	***5.4%***
Financial income	**209**	**10**	***1990.0%***
Provisions and unwinding of discount	0	(34)	*100%*
Other	(177)	(44)	*302.3%*
Other financial expenses	**(177)**	**(78)**	***126.9%***
Net financial income (expense)	**(1,068)**	**(1,111)**	***(3.9)%***

[1] The financial information for these periods presented have not been restated for the impacts of IFRS 15.

Financial income

For the year ended December 31, 2017, our financial income totalled €209 million, a 1,990% increase compared to €10 million for the year ended December 31, 2016. This increase was primarily due to the gain realised on the repricing of certain derivative financial instruments in July 2017 as described under "—*Repricing of certain derivative instruments*".

Cost of gross financial debt

For the year ended December 31, 2017, our cost of gross financial debt totalled €1,099 million, a 5.4% increase compared to €1,043 million for the year ended December 31, 2016. This increase was primarily driven by (i) the gross debt increase related to the incurrence of new debt in October 2017, (ii) the negative variation in the fair value of certain derivative instruments, and (iii) 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. See "—*Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2017 compared to the year ended December 31, 2016—Significant Events Affecting Historical Results—Refinancing of loans.*"

Other financial expenses

For the year ended December 31, 2017, our other financial expenses totalled €177 million, a 126.9% increase compared to €78 million for the year ended December 31, 2016. This increase was due to the impairment of a financial asset recorded in relation to the VTI litigation (€124 million) following the end of the tax litigation.

Share in net income (loss) of associates

For the year ended December 31, 2017, our share in net loss of associates totalled €11 million, a 175.0% increase compared to a loss of €4 million in the year ended December 31, 2016. The reversal of a provision for impairment of €7 million recorded in the year ended December 31, 2016.

Income tax income (expense)

For the year ended December 31, 2017, we recorded an income tax income of €392 million, a 587.72% increase compared to a loss of €57 million for the year ended December 31, 2016. This increase in income tax income was primarily as a result of the deferred tax impact on net restructuring costs incurred in the year ended December 31, 2017.

For the year ended December 31, 2016 compared to the year ended December 31, 2015

The below table sets forth our consolidated statement of income for the years ended December 31, 2015 and 2016, in millions of Euros:

	Year ended December 31,		
	2016	**2015**	**Change**
	(in € millions)		
Revenues	**10,991**	**11,039**	**(0.4)%**
Purchasing and subcontracting	(3,961)	(3,890)	1.8%
Other operating expenses	(2,263)	(2,467)	(8.2)%
Staff costs and employee benefit expenses	(945)	(877)	7.8%
Depreciation, amortization and impairment	(2,435)	(2,554)	(4.7)%
Non-recurring income and expenses	(432)	(314)	37.6%
Operating income	**954**	**937**	**1.8%**
Financial income	10	782	(98.7)%
Cost of gross financial debt	(1,043)	(781)	33.5%
Other financial expenses	(78)	(47)	66.0%
Net financial income	**(1,111)**	**(46)**	**2,315.2%**
Share in net income (loss) of associates	(4)	6	(166.7)%
Income before taxes	**(161)**	**898**	**(117.9)%**
Income tax income (expense)	(57)	(215)	(73.5)%
Net income (loss) from continuing operations	**(218)**	**682**	**131.9%**
Net income (loss) from discontinued operations	—	—	—
Net income (loss)	**(218)**	**682**	**131.9%**
Group share	(210)	675	(131.1)%
Non-controlling interests	(8)	7	(214.3)%

Significant Events Affecting Historical Results

For the year ended December 31, 2016

Takeover of Numergy

In January 2016, we entered into an agreement with Bull and Caisse des Dépôts to acquire their stake in Numergy, following which Numergy's results were fully consolidated into the consolidated financial statements of the Group.

Approval by the French Competition Authority of the Kosc consortium's acquisition of Completel's DSL network

On December 22, 2015, the French Competition Authority approved the KOSC consortium's proposed acquisition of Completel's DSL network, which is comprised of OVH, Cofip, Kapix and Styx. In 2014, the French Competition Authority had authorized the SFR Acquisition subject to the Group's agreement to sell the Completel DSL network in order to eliminate any risk of adversely affecting competition in the markets for business-specific fixed-line telecommunications services.

This sale, finalized on March 18, 2016, means that Group can honor the last of its two structural commitments required by the French Competition Authority in connection with the SFR Acquisition.

Acquisition of Altice Europe's minority stake in NextRadioTV and acquisition of SFR Presse

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Operations on financial debt

Swaps

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- Nominal: €4.0 billion
- Variable rate paid by the bank: 3-month Euribor
- Rate paid by the Group: (0.121%)
- Maturity: 7 years, but with a clause from the bank to advance the remaining cash flows at the end of 5 years.

The Group has continued its strategy to hedge financial risks by converting approximately two-thirds of its variable rate borrowings into fixed rates : around 96% of the Group's long-term debt is fixed-rate.

The Group refinanced its debt for US$5.2 billion senior debt in April 2016

On April 7, 2016, the Group placed US$5.19 billion in senior debt with institutional investors. These amounts were used to refinance US$2.4 billion in debt maturing in 2019, refinance a US$450 million drawdown on the Existing Revolving Credit Facilities and, after approval of certain changes from the lenders, to refinance US$1.9 billion of existing term loans maturing in 2020.

New loans and refinancing in October 2016

In October 2016, the Group placed two new term loans with institutional investors, namely:

- a $1,790 million term loan with a January 2025 maturity, priced at 3.25% over Libor with a 0.75% floor and an OID of 99.75; and
- a €700 million term loan with a January 2025 maturity, priced at 3.00% over Euribor with a 0.75% floor and priced at par.

- This leverage-neutral refinancing was used to repay the following existing debts:

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- $1,340 million term loan due January 2023 priced at 4.00% over Libor with a 0.75% floor;

- €500 million term loan due January 2023 priced at 4.00% over Euribor with a 0.75%; and

- €100 million of the aggregate principal amount outstanding under the Existing Revolving Credit Facilities.

The refinancing reduced the Group's weighted average cost of debt to 5.2% and extended its debt maturity profile to 7.6 years.

Consummation of the acquisition of SFR Presse

After entering into exclusive negotiations for the acquisition of SFR Presse, the Group finalized this acquisition on May 25, 2016. SFR Presse is a leading diversified media group in France, holding more than 20 major titles, and is comprised of emblematic brands such as *Libération*, *L'Express*, *L'Expansion*, *L'Étudiant*, and *Stratégies*. SFR Presse also operates the international news channel i24 News. SFR Presse is a leading player in events in France, particularly with its *Salon de l'Étudiant*, which has drawn 2 million visitors every year for more than thirty years. The transaction valued SFR Presse at an enterprise value of €241 million.

For the year ended December 31, 2015

Vivendi share buyback by the Group and Altice Europe

On February 27, 2015, the Group and Altice Europe acquired the 20% interest held by Vivendi in the Group for approximately €3.9 billion. The acquisition was completed on May 6, 2015, half of it paid by the Group as part of a share repurchase plan, combined with a cash payment, and the other half paid by Altice Europe.

New Term loans for a total amount equivalent to €1,680 million

On October 22, 2015, the Group successfully raised two new term loans, one for $1,340 million and another for €500 million (the "Term Loans"). The Term Loans have a fixed maturity in January 2023 and bear interest at LIBOR/EURIBOR (with a floor at 0.75%) plus a margin of 4.00%. The two loans were placed at 98.5% of their face value. The total amount of the Term Loans denominated in US dollars was converted into a euro loan for €1,184 million with a margin of 4.15% plus the EURIBOR (without a floor) using currency and rate hedging instruments. Following the Term Loans, the average maturity of the Group's debt rose from 5.9 years to 6.1 years, and the average cost of the debt increase from 4.8% to 4.9%.

Mobile telephony frequencies assigned to the Group

On November 24, 2015, pursuant to Decision 2015-1454, ARCEP selected the Group for the acquisition of 2.5 MHz in the 700 MHz band. The authorization to use these frequencies was issued by ARCEP on December 8, 2015, Decision 2015-1569. At that date, the license was capitalized for €466 million (excluding spectrum readjustment costs).

Dividend distribution

The Issuer's shareholders' meeting on December 15, 2015 approved a dividend distribution to its shareholders of €5.70 per share, representing a total of €2.5 billion. This distribution was financed by a loan in the amount of €1.6 billion and the balance from available cash and cash equivalents. The dividend was paid before December 31, 2015.

Search by the French Competition Authority in the Group's premises on April 2, 2015

In relation to the French Competition Authority's decision of October 31, 2014 authorizing the Group's takeover of SFR, the French Competition Authority gathered data from Group's premises on April 2, 2015 to search for evidence that may indicate that it had acted prematurely on the expectation that the Group's takeover of SFR would be approved by the French Competition Authority.

Revenue

For the year ended December 31, 2016, we generated total revenues of €10,991 million, a 0.4% decrease compared to €11,039 million for the year ended December 31, 2015. The decrease in revenues was primarily due to the reasons described below.

The tables below set forth the Group's revenue by lines of activity which the Group operates for the years ended December 31, 2016 and December 31, 2015, respectively:

	December 31, 2016	**December 31, 2015**	**Change**
	(in € millions)		
B2C	7,354	7,595	(3.2)%
B2B	2,013	2,116	(4.9)%
Wholesale	1,323	1,328	(0.4)%
Media	301	—	
Total	**10,991**	**11,039**	**(0.4)%**

B2C: Revenues for the Group's B2C services decreased from €7,595 million for the year ended December 31, 2015 to €7,354 million for the year ended December 31, 2016, a 3.2% decrease. This decrease was primarily driven by the drop in mobile services sales, which in turn was primarily due to a decline in the Group's B2C mobile subscriber base from approximately 15,137,000 subscribers for the year ended December 31, 2015 to approximately 14,625,000 subscribers for the year ended December 31, 2016 due to competitive pricing pressure in the B2C mobile market. The effect of this decrease in subscribers was partially offset by an increase in mobile ARPU over the period. Fixed B2C subscribers decreased from approximately 6,353,000 for the year ended December 31, 2015, with approximately 491,000 DSL customers lost which was only partially offset by approximately 267,000 fiber/cable customers added during the same period, to approximately 6,133,000 for the year ended December 31, 2016, with approximately 463,000 DSL customers lost which was only partially offset by approximately 209,000 fiber/cable customers added during the same period.

B2B: Revenues from B2B activities were €2,013 million for the year ended December 31, 2016, compared to €2,116 million for the year ended December 31, 2015, a decrease of 4.9%. This decrease can be explained both by a drop in fixed B2B activity (with sales down 2.5% for the year ended December 31, 2016 compared to the year ended December 31, 2015) and by a decline in mobile B2B activity of 9.4% compared to the previous year.

Wholesale: Revenues from Wholesale activities decreased from €1,328 million for the year ended December 31, 2015 to €1,323 million for the year ended December 31, 2016, a slight decrease of 0.4%.

Media: Revenues from Media activities increased from nil for the year ended December 31, 2015 to €301 million for the year ended December 31, 2016, consisting of eight months of revenue from NextRadioTV and seven months of revenue for the SFR Presse, both of which were acquired during the second quarter of 2016.

Adjusted EBITDA

For the year ended December 31, 2016, our Adjusted EBITDA was €3,838 million, a slight decrease of 0.6% compared to the year ended December 31, 2015 (€3,860). A reconciliation from operating income to adjusted EBITDA is presented below. This decrease was primarily due to the decrease in revenues described above.

- *Purchasing and subcontracting*: Purchasing and subcontracting costs increased by 1.8% to €3,961 million in the year ended December 31, 2016 from €3,890 million in the year ended December 31, 2015. This increase was due primarily to the consolidated of the results of operation of NextRadioTV and SFR Presse which resulted in increased purchasing and subcontracting costs amounting to €95 million. Adjusted for this amount, there would be a decrease of €24 million, or 0.6%. This variation was due to a €64 million increase in content costs as part of the Group's telecom-media convergence strategy, which was partially offset by a decrease in data costs due to the optimization of links as part of operational efficiency programs.

- *Other operating expenses*: Other operating expenses decreased by 8.0% to €2,263 million the year ended December 31, 2016 to €2,467 million in 2015. Other operating expenses for the year ended December 31, 2016 included €55 million of other operating expenses of the media segment. Adjusted for this amount, the other operating expenses would have decreased by 10.0%. This decrease was primarily due to the savings realized in sales and marketing costs and the general and administrative costs that were made possible by the restructuring of sales and marketing operations, the optimization of customer service and various rationalization and synergy plans, as well as contract renegotiations, implemented throughout 2016.

- *Staff costs and employee benefit expenses*: Staff costs and employee benefit expenses increased by 7.8% to €945 million for the year ended December 31, 2016 from €877 million for the year ended December 31, 2015. This increase was related to the integration of the media division's 2,300 full time employees, representing an increased expense of €121 million since the second quarter of 2016. Adjusted for this effect, staff costs decreased by €54 million, or 6.1%, compared to the previous year, due to the decrease in the number of full-time employees in the telecom division in 2016.

	December 31, 2016	December 31, 2015	Change
	(in € millions)		
Operating income	**954**	**937**	***1.8%***
Depreciation, amortization and impairment	2,435	2,554	*(4.7)%*
SFR and Virgin acquisition expenses	—	16	*(100.0)%*
Net restructuring costs[1]	167	80	*108.8%*
Costs associated with stock option plans	4	9	*(55.6)%*
Other non-recurring costs[2]	278	263	*5.7%*
Adjusted EBITDA	**3,838**	**3,860**	***(0.6)%***

[1] In 2016, net restructuring costs includes the net restructuring costs related to the closure of retail stores in an amount of €37 million and the provision for restructuring of the retail stores for €98 million. In 2015, this item included costs for early termination of leases of other office premises following the decision to co-locate all employees at the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).

[2] Other non-recurring costs primarily include litigation costs, gain and loss on disposal of property, plant, equipment and intangible assets and other non-recurring income and expenses. See *"—Non-recurring income and expenses"* below.

Depreciation, amortization and impairment

For the year ended December 31, 2016, depreciation, amortization and impairment totalled €2,435 million, a 4.7% decrease compared to €2,554 million for the year ended December 31, 2015.

Non-recurring income and expenses

For the year ended December 31, 2016, our non-recurring income and expenses totalled €432 million, a 37.5% increase compared to €314 million for the year ended December 31, 2015. This increase was primarily driven by higher net restructuring costs, with the recognition of a provision for the restructuring of the distribution business and an increase in provisions for litigation. For the year ended December 31, 2016, non-recurring income and expenses specifically included expenses from the disposal of intangible assets and of property, plant and equipment, totalling €51 million, compared to €188 million for the year ended December 31, 2015. A detailed breakdown of other expenses income is provided below:

	December 31, 2016	December 31, 2015	Change
	(in € millions)		
Net restructuring costs[1]	(167)	(80)	*108.8%*
Litigation	(162)	(27)	*500.0%*
Gain and loss on sales of property, plant, equipment and intangible assets	(51)	(188)	*(72.9)%*
Other non-recurring income and expenses[2]	(52)	(20)	*160.0%*
Non-recurring income and expenses	**(432)**	**(314)**	***37.6%***

[1] In 2016, net restructuring costs includes the net restructuring costs related to the closure of retail stores in an amount of €37 million and the provision for restructuring of the retail stores for €98 million. In 2015, this item included the costs for early

termination of leases of other office premises following the decision to co-locate all employees at the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).

(2) Other non-recurring costs for the year ended December 31, 2016 includes net costs related to litigation (€162 million (compared with €27 million as of December 31, 2015) relating to the gun-jumping fine imposed in connection with the SFR Acquisition (€80 million) and certain litigation costs incurred by Sequalum, a subsidiary of the Group (€80 million)), net losses on property, plant and equipment and intangible assets (€51 million compared with €188 million as of December 31, 2015) and the impact of contract renegotiation in the period (€13 million compared with €45 million as of December 31, 2015).

Net financial income (expense)

Net financial expense amounted to €1,111 million for the year ended December 31, 2016, registering an increase of 2,315.2% compared to €46 million for the year ended December 31, 2015. This increase in net financial expense was primarily due to an increase in cost of gross financial debt and a decrease in financial income, in each case, as described below. A detailed breakdown of net financial expense is provided below:

	December 31, 2016	December 31, 2015	Change
	(in € millions)		
Cost of gross financial debt	**(1,043)**	**(781)**	**33.5%**
Extinction of the earn-out liability to Vivendi[1]	—	644	(100.0)%
Other financial income	10	138	(92.8)%
Financial income	**10**	**782**	**(98.7)%**
Provisions and unwinding of discount	(34)	(18)	88.9%
Other	(44)	(29)	51.7%
Other financial expenses	**(78)**	**(47)**	**(66.0)%**
Net financial income (expense)	**(1,111)**	**(46)**	**2,315.2%**

(1) During the first quarter of 2015, Vivendi definitively waived the potential earn-out of €750 million relating to the SFR Acquisition in connection with the acquisition of Viviendi's remaining shares. Accordingly, the Group recognized net financial income of €644 million representing the discounted value of the earn-out that appeared in the Group's non-current financial liabilities as of December 31, 2014.

Financial income

For the year ended December 31, 2016, our financial income totalled €10 million, a 98.7% decrease compared to €782 million for the year ended December 31, 2015. This decrease is primarily due to non-recurring income recorded in 2015 in connection with the acquisition of Vivendi shares, which represented a net financial income of €644 million corresponding to the discounted value of the earn-out that was included in the Group's non-current financial liabilities as of December 31, 2014, and other financial income of €124 million recognized under the guarantees granted in 2015 by Vivendi relating to certain potential liabilities in connection with the VTI litigation.

Cost of gross financial debt

For the year ended December 31, 2016, our cost of gross financial debt totalled €1,043 million, a 33.5% increase compared to €781 million for the year ended December 31, 2015. This increase was primarily driven by the following factors:

- The interest on the senior debt (bonds and term loans) increased from €616 million in 2015 to €797 million in 2016. The increase in interest compared to 2015 can be explained by (i) new term loans issued in July and November 2015 resulting in an increase in the financial debt of the Group, (ii) the higher cost of debt following the partial refinancing in April 2016. It should be noted that the refinancing in November 2016 has reduced the cost of the debt. See "*—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2016 compared to the year ended December 31, 2015—Significant Events Affecting Historical Results—Refinancing of loans*."

- The amortization of financial expenses represented a charge of €101 million in 2016, as compared to €10 million in 2015. In 2016, this amount included a non-recurring expense of €59 million for the unamortized portion of the expenses on the debt extinguished in April and May 2016 following the refinancing in April 2016 (€57 million) and on the debt extinguished in November 2016 following the refinancing in October 2016 (€2 million).

- In July 2015, the Group established mirror swaps against the swaps covering the Existing 2022 Notes and the Existing 2024 Notes to make the rates variable over the period from 2019 to 2022. Because of the value of the fixed-rate swaps replaced, the counterparties agreed to pay a cash balance of €102 million in January 2016. However, the payment of this balance and the features of these mirror swaps resulted in a negative change of €189 million in the fair value of the derivative. As a result, the net impact of these mirror swaps on the financial result was negative €88 million.

- The refinancing in April 2016 led to exceptional financial charges. Thus, in addition to the amortization of €57 million for the unamortized portion of the expenses of the debts extinguished in April and May 2016, the Group recorded a charge of €79 million for the early repayment fees of the US$2.4 billion Existing 2019 Notes and a charge of €85 million on the cancellation of the hedging instrument associated with this bond. This last charge has no impact on cash because it relates to a reclassification of the interest rate effect of this hedge between equity and income statement. Excluding the amount of €2 million for the unamortized portion of the expenses on the debt extinguished in November 2016, the refinancing in October 2016 did not generate fees due to early repayment or restructuring of hedging instruments. There were no such exceptional financial charges in 2015.

- The substantial refinancings that took place in 2016 resulted in an increased cost of debt. See "*—Discussion and Analysis of Our Results of Operations—For the year ended December 31, 2016 compared to the year ended December 31, 2015—Significant Events Affecting Historical Results—Operations on Financial Debt*" for more information.

Other financial expenses

Other financial expenses increased to €78 million for the year ended December 31, 2016 compared to €47 million for the year ended December 31, 2015, an increase of 66.0%. This increase was primarily due to the increase in provisions and accretions from €18 million in 2015 to €34 million in 2016.

Share in net income (loss) of associates

For the year ended December 31, 2016, our share in net loss of associates totalled €4 million, a 166.7% decrease compared to a share in net income of €6 million in the year ended December 31, 2015.

Income tax income (expense)

For the year ended December 31, 2016, we recorded an income tax expense of €57 million, a 73.5% decrease compared to an income tax expense of €215 million for the year ended December 31, 2015. This decrease was primarily driven by the recognition of one-off financial income in 2015 as compared to 2016.

Discussion and Analysis of the Consolidated Statement of Financial Position

As of March 31, 2018 compared to December 31, 2017

The below table sets forth our total assets as of March 31, 2018 and as of December 2017, in millions of Euros:

	March 31, 2018[(1)]	**December 31, 2017 restated**[(1)]	**Change**
		(in € millions)	
Assets			
Goodwill	11,199	11,199	0%
Intangible assets	6,401	6,519	(1.8)%
Contracts costs	156	152	2.6%
Property, plant and equipment	6,491	6,424	1.0%
Investments in associates	26	23	13.0%
Non-current financial assets	536	736	(27.2)%
Deferred tax assets	3	12	(75.0)%
Other non-current assets	215	195	10.3%
Non-current assets	**25,027**	**25,259**	**(0.9)%**

	March 31, 2018[1]	**December 31, 2017 restated**[1]	**Change**
		(in € millions)	
Inventories	324	289	(19.0)%
Trade and other receivables	3,632	3,616	0.4%
Contracts assets	236	266	(11.3)%
Income tax receivable	142	151	(6.0)%
Current financial assets	4	17	(76.5)%
Cash and cash equivalents	354	451	(21.6)%
Assets held for sale	77	0	—
Current assets	**4,768**	**4,791**	**(0.1)%**
Total Assets	**29,795**	**30,050**	**(0.8)%**

[1] The Group has adopted IFRS 15 (Revenue from Contracts with Customers) effective from January 1, 2018. The Historical Consolidated Financial Information as of March 31, 2018 reflects the change in accounting methodology. The consolidated statement of financial position as of December 31, 2017 has been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information.

Total assets as of March 31, 2018 decreased by 0.8% compared to total assets as of December 31, 2017, mostly driven by a decrease in the fair value of derivative financial assets (mainly linked to unfavourable variations in the US Dollar and Euro exchange rate). An analysis is provided below:

Non-current assets

Total non-current assets amounted to €25,027 million as of March 31, 2018, compared to €25,259 million for the year ended December 31, 2017, representing a decrease of 0.9%. This decrease was mainly due to a decrease in the fair value of derivative financial assets (mainly linked to unfavourable variations in the US Dollar and Euro exchange rate).

Current assets

Current assets remained stable €4,768 million as of March 31, 2018 compared to €4,791 million as of December 31, 2017.

	March 31, 2018[1]	**December 31, 2017**[1]	**Change**
		(in € millions)	
Equity and liabilities			
Share capital	444	444	*0%*
Additional paid-in capital	5,403	5,403	*0%*
Reserves	(2,942)	(2,738)	*7.5%*
Equity attributable to owners of the company	**2,904**	**3,108**	*(6.6)%*
Non-controlling interests	(88)	(85)	*3.8%*
Consolidated equity	**2,816**	**3,023**	*(6.8)%*
Non-current borrowings and other financial liabilities	16,725	16,854	*(0.8)%*
Other non-current financial liabilities	229	248	*(7.9)%*
Non-current provisions	457	476	*(4.2)%*
Non-current contracts liabilities	477	455	*4.8%*
Deferred tax liabilities	281	357	*(21.3)%*
Other non-current liabilities	123	112	*9.5%*
Non-current liabilities	**18,291**	**18,503**	*(1.1)%*
Current borrowings and financial liabilities	494	351	*40.6%*
Other current financial liabilities	1,095	1,107	*(1.1)%*
Trade payables and other liabilities	6,155	6,045	*1.8%*
Current contracts liabilities	544	517	*5.1%*
Income tax liabilities	105	105	*0.5%*
Current provisions	174	350	*(50.3)%*
Other current liabilities	41	49	*(16.3)%*
Liabilities directly associated to assets held for sale	81	0	—
Current liabilities	**8,688**	**8,524**	*1.9%*
Total Equity & Liabilities	**29,795**	**30,050**	*(0.8)%*

[1] The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information as of March 31, 2018 reflects the change in accounting methodology. The consolidated statement of financial position as of December 31, 2017 has been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information.

Consolidated equity

Consolidated equity decreased by 6.8% to €2,816 million as of March 31, 2018 from €3,023 million as of December 31, 2017, primarily due to the net loss recorded in the three months ended March 31, 2018.

Non-current liabilities

Non-current liabilities decreased by 1.1% to €18,291 million as of March 31, 2018 from €18,503 million as of December 31, 2017, mainly driven by a decrease in deferred tax liabilities.

Current liabilities

Current liabilities increased by 1.9% to €8,688 million as of March 31, 2018 from €8,524 million as of December 31, 2017, mainly driven by an increase in current financial liabilities, in turn driven by the drawdown on the revolving credit facility for an amount of €330 million, partially offset by a decrease in accrued interests (€183.5 million) and an increase in deferred revenues for an amount of €27 million. These increases were offset by a decrease in current provisions for an amount of €55 million recorded in our consolidated statement of financial position as of March 31, 2018.

As of December 31, 2017 compared to December 31, 2016

The below table sets forth our total assets as of December 31, 2017 and 2016, in millions of Euros:

	December 31, 2017[1]	**December 31, 2016**[1]	**Change**
	(in € millions)		
Assets			
Goodwill	11,199	11,146	0.5%
Intangible assets	6,666	7,600	(12.3)%
Property, plant and equipment	6,424	6,021	6.7%
Investments in associates	23	46	(50.3)%
Non-current financial assets	736	2,131	(65.5)%
Deferred tax assets	12	22	(47.2)%
Other non-current assets	195	21	840.3%
Non-current assets	**25,255**	**26,986**	**(6.4)%**
Inventories	289	235	22.6%
Trade and other receivables	3,616	3,212	12.6
Income tax receivable	151	159	(5.1%
Current financial assets	17	4	298.6%
Cash and cash equivalents	451	452	(0.2)%
Assets held for sale	(0)	59	(100.0)%
Current assets	**4,524**	**4,121**	**9.8%**
Total Assets	**29,779**	**31,107**	**(4.3)%**

[1] The financial information as of these dates presented have not been restated for the impacts of IFRS 15.

Total assets as of December 31, 2017 decreased by 4.3% compared to total assets as of December 31, 2016, primarily driven by a decrease in intangible assets (12.3%) and non-current financial assets (65.5%). An analysis is provided below:

Non-current assets

Total non-current assets amounted to €25,255 million as of December 31, 2017, compared to €26,986 million as of December 31, 2016, representing a decrease of 6.4%.

This decrease was mainly due to a decrease in intangible assets and non-current financial assets. Intangible assets decreased from €7,600 million as of December 31, 2016 to €6,666 million as of December 31, 2017, mainly driven by the accelerated amortisation of the SFR brand, following the rebranding decision made by the board of Altice Europe in May 2017. See "*Significant Events Affecting Historical Results*".

Non-current financial assets decreased mainly due to a decrease in the fair value of derivative financial assets mainly driven by the change in EUR/US Dollar exchange rate and the monetisation of a portion of the swaps (€203 million).

Current assets

Current assets increased by 9.8% to €4,524 million as of December 31, 2017 mainly driven in inventories (an increase of €54 million compared to December 31, 2016) and receivables (an increase of €404 million compared to December 31, 2016). The increase in inventories was driven by higher pricing of customer equipment and improved commercial performance in the fourth quarter of 2017, compounded by a seasonal effect (higher stocks due to the year end and the three months ended March 31, 2018 sales) and the increase in receivables was mainly due to unbilled revenues on roaming activity (compensated by an increase in trade payables) and an increase in media receivables due to growth in media sales, compounded by higher activity at the end of the fiscal year (year-end being a period of high activity for advertising sales in the media business).

	December 31, 2017[1]	**December 31, 2016**[1]	**Change**
	(in € millions)		
Equity and liabilities			
Share capital	444	443	*0.3%*
Additional paid-in capital	5,403	5,388	*0.3%*
Reserves	(2,920)	(2,221)	*31.5%*
Equity attributable to owners of the company	**2,927**	**3,609**	***(18.9)%***
Non-controlling interests	(85)	(37)	*127.4%*
Consolidated equity	**2,841**	**3,572**	***(20.4)%***
Non-current borrowings and other financial liabilities	16,854	17,171	*(1.8)%*
Other non-current financial liabilities	248	325	*(23.7)%*
Non-current provisions	480	840	*(42.8)%*
Deferred tax liabilities	263	615	*(57.2)%*
Other non-current liabilities	568	617	*(8.0)%*
Non-current liabilities	**18,414**	**19,568**	***(5.9)%***
Current borrowings and financial liabilities	351	485	*(27.5)%*
Other current financial liabilities	1,107	1,155	*(4.2)%*
Trade payables and other liabilities	6,045	5,139	*17.6%*
Income tax liabilities	105	207	*(49.5)%*
Current provisions	350	396	*(11.8)%*
Other current liabilities	566	540	*4.8%*
Liabilities directly associated to assets held for sale	(0)	46	*(100.0)%*
Current liabilities	**8,524**	**7,968**	***7.0%***
Total Equity & Liabilities	**29,779**	**31,107**	***(4.3)%***

[1] The financial information as of these dates presented have not been restated for the impacts of IFRS 15.

Consolidated equity

Consolidated equity decreased by 20.4% to €2,841 million as of December 31, 2017, mainly due to a decrease in consolidated reserves resulting from the net loss realised for the year ended December 31, 2017.

Non-current liabilities

Non-current liabilities decreased by 5.9% mainly driven by a decrease in non-current provisions (€480 million as of December 31, 2017 compared to €840 million as of December 31, 2016), primarily due to the end of the VTI litigation and the reversal of the associated provision.

Deferred tax liabilities decreased by 57.2% to reach €263 million from €615 million as of December 31, 2016. See Note 12 of the consolidated financial statements of the Group for more information as of and for the year ended December 31, 2017.

Current liabilities

Current liabilities increased by 7% from €7,968 million as of December 31, 2016 to reach €8,524 million as of December 31, 2017, mainly driven by an increase in trade and other payables, which increased due to, payables related to the voluntary departure plan and an increase in trade payables related to the wholesale roaming activity.

Liquidity and Capital Resources

Cash and Debt Profile

As of March 31, 2018, our consolidated cash and cash equivalents amounted to €354 million on an actual basis.

Our most significant financial obligations are our debt obligations. Our total financial debt (excluding certain long term and short-term liabilities, and after giving effect to the impact of derivative instruments and excluding accrued interest) as of March 31, 2018 was €16,044 million. See "*Capitalization*". As of March 31, 2018, we had drawn €330 million on our Existing Revolving Credit Facilities and the balance, amounting to €795 million, remained available for further liquidity needs subject to compliance with the conditions to utilization under the Existing Revolving Credit Facilities (including compliance with a specified consolidated net senior secured leverage ratio). As of June 30, 2018, €225 million remained outstanding under the Existing Revolving Credit Facilities and the Group had drawn €103 million in commercial paper. The following tables present of the maturity of the Group's Existing Notes, Existing Term Loans and the Existing Revolving Credit Facilities.

	Period ending December 31,			
	2018	**2019**	**2020 or later**	**Total**
		(€ in millions)		
Existing 2022 Dollar Notes[(1)(3)]	—	—	3,245	3,245
Existing 2022 Euro Notes[(3)]	—	—	1,000	1,000
Existing 2024 Dollar Notes[(1)]	—	—	1,115	1,115
Existing 2024 Euro Notes	—	—	1,250	1,250
Existing 2026 Notes[(1)]			4,210	4,210
Existing Revolving Credit Facilities	—	—	330	330
Existing Term Loans[(1)(2)]	50	50	4,916	5,017
Total	**50**	**50**	**16,067**	**16,168**

[(1)] The amount is based on the exchange rates as of March 31, 2018 of €1 = US$1.2327. This does not reflect the impact of derivative instruments entered into with respect to such debt to reduce foreign currency exposure.

[(2)] Excludes the aggregate principal amount of $2,500 that were borrowed under the 2018 Term Loan following the date of the Offering Memorandum. See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities—2018 Term Loan*" for more information.

[(3)] Does not reflect the aggregate principal amount of the Existing 2022 Dollar Notes which were redeemed in full in connection with the Refinancing Transactions (comprising (i) €1,000 million in aggregate principal amount of outstanding Existing 2022 Euro Notes and (ii) $4,000 (€3,245 equivalent) million in aggregate principal amount of outstanding Existing 2022 Dollar Notes). See "*Use of Proceeds*". See "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*" for more information.

The following table sets forth details of the Group's financial liabilities.

	Current		Non-current		Total	
	March 31,	December 31,	March 31,	December 31	March 31,	December 31,
	2018	2017 restated[(1)]	2018	2017 restated[(1)]	2018	2017 restated[(1)]
			(in € millions)			
Bonds	91	274	10,780	10,993	10,871	11,267
Term loans	404	77	4,875	5,005	5,279	5,082
Derivative instruments	—	—	1,069	856	1,069	856
Borrowings	**494**	**351**	**16,725**	**16,854**	**17,219**	**17,206**
Finance lease liabilities	48	33	13	40	61	73
Perpetual subordinated notes (“TSDI”)	—	—	50	50	50	50
Deposits received from customers	45	52	155	147	200	200
Bank overdrafts	17	78	—	—	17	78
Securitization	239	248	—	—	239	248
Reverse factoring	618	556	—	—	618	556
Commercial paper	—	35	—	—	—	35
Other	127	104	11	12	138	116
Other financial liabilities	**1,095**	**1,107**	**229**	**248**	**1,323**	**1,355**
Financial liabilities	**1,589**	**1,458**	**16,953**	**17,103**	**18,542**	**18,561**

(1) The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information as of March 31, 2018 reflects the change in accounting methodology. The financial liabilities as of December 31, 2017 has been restated for the impacts of IFRS 15. The financial information as of the other dates presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information.

The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and, if required, borrowings under the Existing Revolving Credit Facilities. As of March 31, 2018, we had drawn up to €330 million on our Existing Revolving Credit Facilities. We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. The availability of borrowings under the Existing Revolving Credit Facilities is conditioned upon compliance with a specified consolidated net senior secured leverage ratio. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Revolving Credit Facilities will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, we anticipate that we will seek to refinance or otherwise extend our debt maturities by accessing the loans and/or bond markets. No assurance can be given that we will be able to complete the Refinancing Transactions or otherwise extend our debt maturities. In this regard, it is not possible to anticipate how economic conditions, sovereign debt concerns and any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

The debt issued by the Group and/or its restricted subsidiaries contains certain restrictive, incurrence-based covenants which do not require ongoing compliance with financial ratios, but place certain limitations on the restricted group’s ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the relevant restricted entity must meet the ratio test described below (on a *pro forma* basis for any contemplated transaction giving rise to the debt incurrence), or have available capacity under the general debt or other available baskets, or satisfy the conditions to certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

The Group's senior debt is subject to an incurrence test of 4.0:1 (Adjusted EBITDA to net senior secured debt), while the Group's senior secured debt is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to net secured debt). The Group or its relevant subsidiaries are allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

The Group has access to a revolving credit facility which, in addition to the above-mentioned incurrence covenants, is subject to one maintenance covenant tested quarterly if the Existing Revolving Credit Facilities is drawn at the end of the testing period or at the time of utilization and requiring that the Group's consolidated net senior secured leverage does not exceed a specified threshold. The terms of these facilities are no more restrictive than the incurrence covenants contained in other debt instruments.

The Group is a holding company with no direct source of operating income. Therefore, the Group will be dependent on dividends and other payments from its operating subsidiaries to meet its liquidity requirements.

Working Capital

As of March 31, 2018, the Group had net current liability position of €8,688 million (primarily due to trade payables amounting to €6,155 million) and a negative working capital of €4,041 million. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short days of sales outstanding, and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect that our operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities will be sufficient to meet our working capital requirements during the next 12 months.

Selected Cash Flow Data

For the three months ended March 31, 2018 compared to the three months ended March 31, 2017

	March 31 2018	**March 31, 2017 restated**[1]	**Change**
		(in € millions)	
Net cash flow provided (used) by operating activities	671	378	77.5%
Net cash flow provided (used) by investing activities	(687)	(638)	7.7%
Net cash flow provided (used) by financing activities	(20)	56	(134.8)%
Net increase (decrease) in cash and cash equivalents	(36)	(204)	(82.2)%
Net cash and cash equivalents at beginning of period	373	400	(6.7)%
Net cash and cash equivalents at end of period	337	196	72.1%
of which cash and cash equivalents	354	318	11.2%
of which bank overdrafts	(17)	(122)	(86.0)%

[1] The Group has adopted IFRS 15 (*Revenue from Contracts with Customers*) effective from January 1, 2018. The Historical Consolidated Financial Information for the three months ended March 31, 2018 reflects the change in accounting methodology. The consolidated statement of income for the three months ended March 31, 2017 has been restated for the impacts of IFRS 15. The financial information for the other periods presented have not been restated for the impacts of IFRS 15. See Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Group as of and for the three month period ended March 31, 2018 for more information.

Net cash flow provided (used) by operating activities

Net cash provided by operating activities increased by 77.5% to €671 million for the three months ended March 31, 2018 compared to €378 million for the three months ended March 31, 2017. This increase in net cash provided by operating activities was primarily related to better working capital management in the first quarter of 2018 compared to the first quarter of 2017 (€188 million in 2018 compared to €(261) million in 2017). Net cash from operating activities included working capital unwind related to the restructuring plan announced in 2017, which amounted to approximately €130 million for the three months ended March 31, 2018.

Net cash flow provided (used) by investing activities

Net cash used in investing activities increased by 7.7% to €687 million for the three months ended March 31, 2018 compared to €638 million for the three months ended March 31, 2017. The increase in the three months ended March 31, 2018 can be attributed to higher capital expenditure for the three months ended March 31, 2018 (€666 million, net of change in working capital used for capital expenditures, compared to €632 million for the three months ended March 31, 2017).

Net cash flow provided (used) by financing activities

For the three months ended March 31, 2018, net cash used for financing activities amounted to €20 million, compared to a net inflow of cash from financing activities of €56 million for the three months ended March 31, 2018. This decrease was primarily due to a lower debt drawdown for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 (€330 million drawn on the Existing Revolving Credit Facilities compared to €356 million of commercial paper issued in the three months ended March 31, 2017), offset by lower interest payments in 2018 (€336 million for the three months ended March 31, 2018 compared to €406 million for the three months ended March 31, 2017).

For the year ended December 31, 2017 compared to the year ended December 31, 2016

	December 31 2017	**December 31, 2016**	**Change**
	(in € millions)		
Net cash flow provided (used) by operating activities	2,777	3,378	*(17.8)%*
Net cash flow provided (used) by investing activities	(2,686)	(3,247)	*(17.3)%*
Net cash flow provided (used) by financing activities	(117)	40	*(393.1)%*
Net increase (decrease) in cash and cash equivalents	(27)	171	*(115.7)%*
Net cash and cash equivalents at beginning of period	400	229	*74.7%*
Net cash and cash equivalents at end of period	373	400	*(6.7)%*
of which cash and cash equivalents	*451*	*452*	*(0.2)%*
of which bank overdrafts	(78)	(52)	49.6%

Net cash flow provided (used) by operating activities

Net cash provided by operating activities decreased by 17.8% to €2,777 million for the year ended December 31, 2017 compared to €3,378 million for the year ended December 31, 2016. The decrease in net cash provided by operations was primarily related to lower operating income (after depreciation, amortization and impairment and certain non-cash items) earned in 2017 compared to 2016.

Net cash flow provided (used) by investing activities

Net cash used in investing activities decreased by 17.3% to €2,686 million for the year ended December 31, 2017 compared to €3,247 million for the year ended December 31, 2016. The decrease in the year ended December 31, 2017 can be attributed to the acquisition of media and press activities by the Group in 2016, whereas there were no major acquisitions in 2017.

Net cash flow provided (used) by financing activities

Net cash used in financing activities increased by 392.5% to €117 million for the year ended December 31, 2017 compared to net cash generated by financing activities of €40 million for the year ended December 31, 2016. The increase can primarily be attributed to the change in debt issuance and repayments in the respective periods.

For the year ended December 31, 2016 compared to the year ended December 31, 2015

	December 31, 2016	December 31, 2015	Change
	(in € millions)		
Net cash flow provided (used) by operating activities	3,378	3,135	*7.8%*
Net cash flow provided (used) by investing activities	(3,247)	(1,732)	*87.5%*
Net cash flow provided (used) by financing activities	40	(1,758)	*100.6%*
Net increase (decrease) in cash and cash equivalents	171	(355)	*148.2%*
Net cash and cash equivalents at beginning of period	229	583	*60.7%*
Net cash and cash equivalents at end of period	400	229	*74.7%*
of which cash and cash equivalents	452	355	*27.3%*
of which bank overdrafts	(52)	(126)	*58.7%*

Net cash flow provided (used) by operating activities

Net cash provided by operating activities increased by 7.8% to €3,378 million for the year ended December 31, 2016 compared to €3,135 million for the year ended December 31, 2015. This increase was primarily driven by lower income tax paid in 2016 compared to 2015.

Net cash flow provided (used) by investing activities

Net cash used in investing activities increased by 87.5% to €3,247 million for the year ended December 31, 2016 compared to €1,732 million for the year ended December 31, 2015. This increase was primarily driven by the acquisition of press and media entities by the Issuer in May 2016.

Net cash flow provided (used) by financing activities

Net cash provided by financing activities increased by 102.3% to €40 million for the year ended December 31, 2016 compared to net cash used by financing activities of €1,758 million for the year ended December 31, 2015. This increase was primarily driven by the fact that no divided was paid in 2016 compared to the payment of a dividend was paid in 2016 compared to the payment of a dividend amounting to €2,500 million in 2015.

Capital Expenditures

Our capital expenditure amounted to €571 million for the three months ended March 31, 2018 and €491 million for the three months ended March 31, 2017, representing an increase of 16.3%. This increase was primarily due to increased customer capex following positive net adds for the three months ended March 31, 2018 and also due to continued capex on cable/fiber and 4G deployment.

Our capital expenditure amounted to €2,368 million for the year ended December 31, 2017 and €2,312 million for the year ended December 31, 2016, representing an increase of 2.4%. This increase was primarily due to increased network-related capex to improve the 4G network and continued cable/fiber deployment, partially offset by a decrease in customer-related capex due to net subscriber losses during the period.

Our capital expenditure amounted to €2,312 million for the year ended December 31, 2016 and €2,370 million for the year ended December 31, 2015, representing a decrease of 2.4%. This decrease was primarily due to a decrease in customer capex due to overall net subscriber losses.

Contractual Obligations

Unrecognized Contractual Commitments

We have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. See Note 32 to the audited consolidated financial statements of the Group for the year ended December 31, 2017, Note 33 to the audited consolidated financial statements of the Group for the year ended

December 31, 2016 and Note 33 to the audited consolidated financial statements of the Group for the year ended December 31, 2015.

The following tables set forth our unrecognized contractual commitments as of December 31, 2017, 2016 and 2015, respectively.

	As of December 31, 2017			
	Less than one year	**Two to five years**	**More than five years**	**Total**
	€ in millions			
Commitments relating to assets (excluding network sharing)	669	292	218	1,180
Commitments relating to operating leases	306	801	716	1,823
Commitments relating to long-term contracts	533	1,370	(38)	1,865
Other commitments	11	8	136	155
Total	**1,519**	**2,471**	**1,032**	**5,022**

	As of December 31, 2016			
	Less than one year	**Two to five years**	**More than five years**	**Total**
	€ in millions			
Commitments relating to assets (excluding network sharing)	553	95	95	743
Commitments relating to operating leases	304	888	612	1,805
Commitments relating to long-term contracts	423	704	(27)	1,099
Other commitments	27	18	93	138
Total	**1,307**	**1,705**	**773**	**3,785**

	As of December 31, 2015			
	Less than one year	**Two to five years**	**More than five years**	**Total**
	€ in millions			
Commitments relating to assets (excluding network sharing)	430	102	143	674
Commitments relating to operating leases	272	793	611	1,676
Commitments relating to long-term contracts	59	8	(32)	35
Other commitments	75	36	79	190
Total	**836**	**939**	**801**	**2,575**

During the year ended December 31, 2017, the Group entered into an exclusive agreement with AENS to purchase and distribute sports content related to the UEFA Champion's league and Europa league from 2018 onwards for a period of three years as a result of which the total commitments of the Group increased by €1,238 million to €5,022 million for the year ended December 31, 2017.

As of March 31, 2018, following the reorganization announced by Altice Europe (see "*—Discussion and Analysis of Our Results of Operations—For the three months ended March 31, 2018 compared to the three months ended March 31, 2017—Significant Events Affecting Historical Results*"), and as a consequence of the contract renegotiation with AENS, the total commitments of the Group are expected to decrease by approximately €1 billion (representing the reduction in the minimum guaranteed amount over the life of the new content contract to be entered into with AENS).

Defined Benefit and Defined Contribution Pension Plans

In addition, we have obligations under defined benefit and defined contribution pension plans. Our cash outflow relating to these obligations will vary depending on many factors. In the case of defined benefit plans, we have recognized a liability regarding employee benefits in the statement of financial position of the Group which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards to, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty. Actuarial gains and losses are reflected in the statement of income and statement of other comprehensive income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as an expense at the time of the deposit in the plan, in parallel to the receipt of the labour services from the employee and no additional provision is recognized in the financial statements. As of March 31, 2018, our total defined benefit plans liabilities were €127 million. See Note 27 to the audited consolidated financial statements of the Group for the year ended December 31, 2017 for more information.

Post-Balance Sheet Date Events

For a description of material post-balance sheet date events applicable to the Group, see "*Summary—Recent Developments*" included elsewhere in these Listing Particulars.

While commercial performance in the second quarter of 2018 continued with positive net adds in both fixed B2C and mobile B2C, revenues versus the corresponding period in 2017 decreased due to impacts of VAT changes, increased retentions activities and higher media revenues in the second quarter of 2017 as a result of the French elections. This information is based solely on preliminary internal information used by management and is based on assumptions that are subject to inherent uncertainties. Our actual consolidated financial results for the three months ended June 30, 2018 may differ from our preliminary calculated results and remain subject to our normal review process. Those procedures have not been completed. Accordingly, these results may change and those changes may be material. We caution that the foregoing information has not been audited or reviewed by our independent auditors and should not be regarded as an indication, forecast or representation by us or any other person regarding our financial performance for the three months ended June 30, 2018.

In addition, on June 22, 2018, the Group entered into an agreement providing a new commitment to the unions to maintain its current number of employees (9,428 as of June 30, 2018) until December 31, 2020. Under this agreement, the Group has also provided a commitment to the effect that if it undertakes any minor restructuring, its employees will benefit from certain support and structured departure processes.

There were also developments in certain other litigation pertaining to the Group. See "*Business of the Group—Legal Proceedings—Civil and Commercial Disputes—Wholesale disputes—Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR and SFR*", "*Business of the Group—Legal Proceedings—Civil and Commercial Disputes—Wholesale disputes—Orange suit against SFR in the Paris Commercial Court (overflows case)*" and "*Business of the Group—Legal Proceedings—Civil and Commercial Disputes—Wholesale disputes—SFR v. Orange: abuse of dominant position in the second homes market*" included elsewhere in these Listing Particulars.

New Swap Agreements

On April 24, 2018, the Group entered into a new swap agreement pursuant to which the Group will earn 1-month USD Libor plus 2.75% on a nominal amount of €1,405 million on a monthly basis, and will pay 3-month USD Libor plus 2.5475% on the same nominal amount on a quarterly basis.

On April 30, 2018, the Group entered into another new swap agreement pursuant to which it agreed to sell, for an amount of $1.5 million, a floor on the USD receiver leg on a nominal amount of €1,240 million. Prior to the agreement, the Group received a floating rate with a USD Libor floor at 0.75%. As a result, the floor is no longer applicable in the event that the 3-month USD Libor reference rate falls below 0.75%.

Related Party Transactions

Other than as disclosed in these Listing Particulars and in the notes to the Historical Consolidated Financial Information, the Group did not have any material transactions with related parties during the three months ended March 31, 2018 and the years ended December 31, 2017, 2016 and 2015. See "*Certain Relationships and Related Party Transactions*" as well as Note 31 to the audited consolidated financial statements of the Group for the year ended December 31, 2017, Note 32 to the audited consolidated financial statements of the Group for the year ended December 31, 2016, Note 14 and Note 18 to the condensed consolidated financial statements for the three months ended March 31, 2018, in each case included elsewhere in these Listing Particulars.

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments disclosed herein or in the notes to the Historical Consolidated Financial Information.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the US Dollar and Euro, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Credit Risk

The Group does not have significant concentrations of credit risk. Credit risk may arise from the exposures of commitments under a number of financial instruments with one counterparty or as the result of commitments with a number of groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Group's income primarily derives from customers in France. The majority of our B2C clients are on direct debit, thus reducing credit and recovery risk from our biggest operating segment. The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Managers, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities. The Group has a strong track record of driving operating free cash flow generation. As all external debt is issued and managed centrally, the executive directors of the Group have a significant amount of control and visibility over the payments required to satisfy obligations under the different external debts.

Additionally, as of March 31, 2018, the Group has access to revolving credit facilities of up to €1,125 million (of which €330 million was drawn as of March 31, 2018) to cover any liquidity needs not met by operating cash flow generation. See "—*Sources of Liquidity*".

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity. On a consolidated basis, taking into account our swap portfolio, our primary fixed rate debt obligations were in an amount equivalent to €10,871 million, while our primary floating rate debt obligations were equivalent to €5,279 million, in each case, as of March 31, 2018.

Foreign Currency Risk

As part of its financial risk management strategy, the Group has entered into certain hedging operations. These are split primarily into either fixed to fixed or floating to floating cross-currency and interest rate swaps that cover against foreign currency and interest rate risk, FX forwards that cover against foreign exchange risk only, or interest rate swaps covering interest rate risk only. For details regarding the Group's outstanding derivative instruments to secure foreign currency liabilities and to reduce foreign currency exposure, see Note 24.4 to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2017.

Critical Accounting Policies, Judgments and Estimates

For details regarding the Group's critical accounting policies, judgments and estimates, see Note 2 to the audited consolidated financial statements of the Group as of and for the year ended December 31, 2017. For details regarding the Group's adoption of IFRS 15 and its impact on its revenue recognition, see Note 1.3 and Note 19 to the unaudited condensed consolidated financial statements of the Group for the three months ended March 31, 2018, included elsewhere in these Listing Particulars.

REGULATION

The Group's business activities are subject to the laws and regulations governing the telecommunications sector and the information society in the European Union and France.

Regulation of electronic communications networks and services

The European regulatory framework for electronic communication

The European regulatory framework is based on the following five directives contained in the "2002 Telecoms Package" of the European Union, which apply to the seven relevant markets defined by European Commission's recommendation 2007/879/CE dated December 19, 2007:

- Directive 2002/21/EC dated March 7, 2002, concerning a common regulatory framework for electronic communications networks and services (the "Framework Directive");

- Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities (the "Access Directive");

- Directive 2002/22/EC dated March 7, 2002, on universal services and users' rights relating to electronic communications networks and services (the "Universal Service Directive");

- Directive 2002/20/EC dated March 7, 2002, concerning the authorization of electronic communications networks and services (the "Authorization Directive"); and

- Directive 2002/58/EC dated July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "Privacy and Electronic Communications Directive").

- In addition to the 2002 Telecoms Package, the following legislation also applies to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, concerning competition in the markets for electronic communications networks and services (the "Competition Directive");

- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorization Directives;

- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic Communications Directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws;

- Directive 2009/114/EC of September 16, 2009, amending Council Directive 87/372/EEC on the frequency bands to be reserved for the coordinated introduction of public pan-European cellular digital land-based mobile communications in the Community;

- Directive 2014/53/EU dated April 16, 2014, on the harmonization of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC Text with EEA relevance;

- Directive 2014/61/EC of May 15, 2014, on measures to reduce the cost of deploying high-speed electronic communications networks;

- Regulation 1211/2009/EC dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the "BEREC");

- Regulation 2015/2120/EC of November 25, 2015, laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (the "Open Internet Access Regulation");

- Regulation 2016/679/EU of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/EC (the "General Data Protection Regulation"); and

- Regulation (531/2012/EC on roaming on public mobile communications networks within the European Union (the "Roaming Regulation").

The Open Internet Access Regulation set new limits for retail roaming rates in Europe billed by mobile operators applicable between July 1, 2014, and April 29, 2016, and after April 29, 2016. The Roaming Regulation also abolished roaming charges as from June 15, 2017.

The Open Internet Access Regulation introduced measures on net neutrality Article 3 of the Open Internet Access Regulation established the following net neutrality principles:

- The right of end-users to access and distribute content, use and provide applications and services, and use terminal equipment of their choice, irrespective of location, origin or destination of the information, content, application or service, via their internet access service; and

- Internet access service providers are to treat all traffic equally, without discrimination, restriction or interference.

These two principles are subject to the following exceptions:

- Compliance with court orders;

- Protecting the integrity or security of the network; and

- Prevention of network congestion occurring temporarily and under exceptional circumstances.

Moreover, operators are subject to stronger transparency obligations. They must in particular provide more information in customers' contracts (such as impact of traffic management techniques used by ISPs, the concrete impact of caps or allowances, information on connection speed, etc.).

The principle of net neutrality is also affirmed in the law no. 2016-1321 of October 7, 2016 for a digital Republic, which introduced Articles L. 32-1 et seq. in the Postal and Electronic Communications Code (Code des Postes et des Communications Electroniques, "CPCE"). The Articles provide that operators may not discriminate in providing access to the network on the basis of services and may appoint the Postal and Electronic Communications Regulator (Autorité de Régulation des Communications Electroniques et des Postes, "ARCEP") to ensure that this principle is observed.

The European Commission launched a review of the EU regulatory framework for electronic communications in 2016 through a draft directive aiming at establishing a European Electronic Communications Code (the "EECC") submitted to the Council and to the Parliament on September 14, 2016.

The BEREC published its opinion on the EECC draft directive on December 13, 2016 focusing on (i) the scope of the framework, (ii) the access regulation and (iii) the institutional set-up.

The EECC draft directive is still in the process of being discussed and examined by the Parliament and the Council.

Digital single market

On May 6, 2015, the European Commission published a communication ("A Digital Single Market Strategy for Europe"—COM (2015) 192) detailing its strategy for a digital single market. The strategy is founded on three pillars: (i) providing better access for consumers to on-line services across Europe, (ii) creating conditions for development of digital networks and services, and (iii) maximizing the growth potential of the European digital economy. Following the adoption of Regulation 2015/2120, on September 11, 2015 the European Commission launched a public consultation of the 2002 Telecoms Package (as amended in 2009).

On January 19, 2016, the European Parliament adopted the resolution “Toward a Digital market”. In its resolution, the European Parliament welcomed the European Commission’s Digital Single Market Strategy, but also expressed its concern about the divergent national approaches taken so far by EU member states when regulating the internet and the “sharing economy”.. The topics addressed in the resolution include the necessity to increase consumer choice and to remove barriers for innovative start-ups. Other topics addressed in the resolution include copyright, regulation of the telecommunications sector, VAT rules, audio-visual media, e-skills, e-government, and employment rights.

With regard to regulation of the telecommunications sector, the Resolution also:

- emphasizes the key role of private investments in fast and ultra-fast communication networks in driving digital progress that must be supported by a stable EU regulatory framework enabling all players to make investments, including in rural and remote areas;

- reminds the member states of their commitment to reach by 2020 full broadband network deployment of minimum speeds of 30 Mbps;

- underlines the need to ensure that end-user rights laid down in the telecommunications framework are coherent, proportionate and appropriate; and

- a mid-term review of the Digital Single Market strategy has been published by the European Commission on May 10, 2017. Said review emphasises the progress accomplished and identifies three mains areas toward which European Union’s actions are needed: (i) the development of the European Data Economy to its full potential, (ii) Europe’s assets protection through cybersecurity and (iii) the promotion of online platforms as responsible players of a fair internet system.

French regulatory framework applicable to electronic communications

Most measures implementing the European Regulatory Framework for Electronic Communications in France can be found in the CPCE. The French Consumer Code also governs relations between electronic communications service providers and consumers. In addition to the many consumer protection rules that are not specific to the electronic communications sector, the «Chatel law» updated the French Consumer Code to protect consumers using mobile and internet technology (Articles L.121-84-1 *et seq*.). National Regulatory Authorities (“NRAs”) are responsible for effective implementation and supervision of the Framework.

National Regulatory Authorities

ARCEP

In France, the NRA for electronic communications is ARCEP, created in January 1997. ARCEP is an independent administrative authority in charge of regulating the electronic communications sector, managing administrative procedures, defining access, interconnection and roaming conditions, calculating costs and contributions to the universal service and rate regulation, and assigning rights for the use of frequencies.

To exercise its prerogatives, ARCEP has a variety of powers, in particular to make regulations, control, settle disputes, advise and sanction. ARCEP’s decisions may relate to asymmetric regulation (which apply to operators occupying a dominant position on the market) or symmetric regulation (which apply to all operators). Certain symmetric regulatory decisions need to be approved by the Ministry for Electronic Communication.

The law n° 2015-99 on growth, business and equal economic opportunities, of August 6, 2015 (“Macron Law”), endowed ARCEP with new powers and new missions, including the ability to require operators to amend their mobile network sharing agreements when necessary to achieve regulatory objectives. The ARCEP is required to publish a report evaluating investments by each mobile operators in the deployment of new infrastructure. On that occasion, the Authority will verify the respect of the radio network sharing agreement.

Competition Authority

The French Competition Authority is an independent administrative authority in charge of monitoring competition under Article L. 461-1 of the French Commercial Code. It is responsible for identifying anti-competitive practices in the market, merger controls and provision of advisory opinions.

In its role of identifying anti-competitive practices, in accordance with Articles L. 464-1 and 2 of the French Commercial Code, the Competition Authority can: (i) impose fines; (ii) require businesses to cease such practices; (iii) accept commitments with regard to elimination of anti-competitive practices and (iv) impose certain injunctions in the event of urgency. Under Article L. 464-8 of the French Commercial code, an appeal can be lodged against these decisions (in itself, not suspensive) before the Paris Court of Appeal, within one month. An appeal can be lodged against the ruling of the Court of Appeal of Paris in front of the Court of Cassation (Supreme Court) within one month.

In its merger control role, in accordance with Articles L. 430-1 et seq. of the French Commercial Code, the Competition Authority must give *ex ante* authorization to mergers between certain large businesses. It may: (i) authorize the merger; (ii) prohibit a merger; or (iii) subject authorization of a merger to certain conditions. Under Article R. 311-1 of the Code of Administrative Justice, the parties and third parties concerned can lodge an appeal (in itself, not suspensive) for annulment or reformulation with the Conseil d'État within two months.

In its advisory role, in accordance with Articles L. 462-1 et seq. of the French Commercial Code, the Competition Authority provides opinions on the function of the markets at the request of the government, parliament, courts, legal entities representing public interests or on its own initiative. No appeal can be brought against these opinions.

Conseil Supérieur de l'Audiovisuel

Created by the law no. 89-25 of January 17, 1989, the French Broadcasting Regulator (*Conseil Supérieur de l'Audiovisuel*, "CSA") seeks to safeguard the freedom of audiovisual communication in France. The law no. 86-1067 of September 30, 1986, which has seen several amendments, gives it powers with respect to the protection of minors, respect for the pluralistic expression of opinions, organization of electoral campaigns on radio and television, rigorous processing of information, allocation of spectrum to operators, respect for human dignity and consumer protection.

With regard to spectrum allocation, the CSA is responsible for administration and allocation of frequencies intended for radio and television. It is also responsible for planning "hertzian" spectrum bands to be used by radio stations, issuing licenses to use the frequencies, and planning and allocating broadcasting channels to digital terrestrial television operators.

In case of disputes regarding the above, the CSA performs an arbitral role between publishers of services and producers of works or audiovisual programs or their representatives, or the professional organizations representing them.

CSA can make recommendations to broadcasters and distributors of audiovisual communication services on compliance with the principles set forth in the law of September 30, 1986 referred to above. It has the powers to impose sanctions in case of non-compliance with the principles by broadcasters or distributors of services.

Law no. 2016-1524 of November 14, 2016 aiming at strengthening freedom, independence and pluralism of the media modified the law of September 30, 1986 referred to above in order to regulate the powers of the CSA regarding transfers of television channels.

General regulatory framework applicable to network operators and providers of electronic communication services

Pursuant to Article L. 33-1 and Articles D. 98-3 to D. 98-13 of the CPCE, every entity operating a network or providing electronic communications services to the public is bound by certain general obligations concerning number portability, regulation of value-added services, publication of service quality enquiries, and the financing of universal services.

Number portability

Portability is a service offered by providers of electronic communications services allowing its subscribers to maintain their telephone numbers when switching operators. Number portability is an obligation of all operators providing their services to end-users in accordance with Article L. 44, D.406-18 and D. 406-19 of the CPCE and extends to both fixed-line and mobile operators.

In January 2009, the leading operators, including members the Group, set up a dedicated entity, the Fixed Numbers Portability Association (*Association de la Portabilité des Numéros Fixes*) to effectively manage information sharing with regard to requests for fixed number portability.

ARCEP Decision no. 2013-0830 of June 25, 2013 lays down new obligations for operators that target the end-user market, in particular in terms of information and quality of service, which must be gradually implemented before October 1, 2015.

Concerning mobile number portability, the original regulatory mechanism has undergone several changes aimed at establishing maximum durations for switching, enhancing customer experience and ensuring information provisions for subscribers. ARCEP Decision no. 2012-0576 of May 10, 2012 specifies arrangements for the application of mobile number portability.

The French Government approved the ARCEP decision dated June 25, 2013, specifying the procedures for portability of fixed-line numbers. The ARCEP decision establishes the following requirements for operators on the consumer market:

- portability processing duration is shortened to three working days, provided access is available;
- clarification of the rules for compensation in case of delay or mishandling of a number portability request;
- harmonized information to subscribers throughout the number portability process; and
- from October 2014, the introduction of a quarantine period, which enables a number to be ported up to 40 days after the account is cancelled.

On October 1, 2015, an operator identity statement or ("RIO", *relevé d'identité opérateur*) for fixed operators, like the RIO that already exists for mobile number portability, was created at ARCEP's request, which also implements a dedicated tool to make it easier for operators to identify the subscriber and facilitate the process to port one's number to a new operators.

The process has also changed for the business market:

- the portability process is shortened to seven working days, provided access is available;
- for better information of business customers, fixed operators must make available all the technical and contractual information necessary to switch operators while retaining one's fixed number;
- service is maintained until the actual portability: if the contract expires before portability occurred, the former operator should extend the provision of service on the fixed number until its actual portability;
- from October 2014: implementation of the quarantine period; and
- starting October, 1 2015: operators can jointly elect to extend the RIO-based control imposed on the consumer market to all or part of the business market.

To obtain their fixed RIO, users must call the toll-free number 3179 from their landline: and the RIO will be communicated to them verbally, and later confirmed in writing, using the method of their choice, including via SMS, e-mail or the post.

Regulation of value-added services

ARCEP Decision no. 2012-0856 of July 17, 2012, changed the principles of retail pricing of calls to short or special numbers. The decision aims to simplify the retail pricing of such calls and prevent certain abusive practices. Effective from January 1, 2015, it introduces a general pricing structure according to the "C + S" model that explicitly distinguishes in the retail price charged to the caller between (i) price C of the underlying telephone communication set by the original operator (ii) and Price S of the value-added service set by the provider of the service.

ARCEP Decision no. 2012-0661 of June 10, 2014 postponed the entry into force of the pricing reform on value-added services to October 1, 2015. Since October 1, 2015, Enterprises and public services have three types of numbers available for providing their services: toll-free numbers, numbers charged at the “normal” rate, and premium rate numbers.

Transparency for consumers will be ensured by the obligation to display calls to premium rate numbers on detailed telephone bills, and by the reverse directory created by operators and service providers (a special website is dedicated to this: infosva.org).

Transparency is improved thanks to the pricing display graphics being introduced with the reform, which associate a different color with each of the three types of number: green for toll-free numbers, grey for “normal” rate numbers, and purple for premium rate numbers.

Publication of service quality enquiries

Decision no. 2013-0004 of October 8, 2013 imposes on operators with more than 100,000 fixed-line subscribers the obligation to publish on its website (i) on a quarterly basis, measurements of service quality related to the quality of access to fixed line services per access type and (ii) on a six-monthly basis, measurements related to the quality of service measures for fixed telephony.

In July 2014, ARCEP set up a mobile telephony coverage and service quality monitoring survey. On July 30, 2015, ARCEP published the findings of its survey aimed at assessing mainland France mobile operators’ quality of service. Orange was found to be the operator with the highest overall score, with 153 indicators scoring above average, whether for telephony, SMS or data products. With 52 and 42 indicators scoring above average, respectively, the results for Bouygues Telecom and SFR were broadly similar. Free mobile, whose 3G network was still being deployed, scored considerably less well on a sizeable numbers of indicators, with only 9 indicators scoring above average. In addition to these publications on the quality of mobile services, the quality of access to fixed-line services and the quality of fixed telephony service, ARCEP, in 2015, continued work and the publication of its new half-yearly observatory on the quality of internet access services in mainland France On December 18, 2015, ARCEP published its most recent findings regarding mobile coverage (2G, 3G, 4G) by the four operators for the month of July (source: ARCEP). While the 2G and 3G coverage is uniformly high (above 80% in all cases and above 90% in most cases) for each of the operators and for each of population coverage and territorial coverage, 4G coverage is still lagging behind. With regard to 4G population coverage, Orange cane first (76%), followed by Bouygues Telecom (72%), SFR (58%) and Free (52%). Only 28% of the territory is covered by Orange’s network, followed by Bouygues Telecom’ (24%), Free’s (18%) and SFR’s (15%).

ARCEP decision no. 2015-0833 of July 7, 2015 amending the mechanism for monitoring the quality of access to fixed-line services, entered into force on January 1, 2016.

Additionally, law no. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities amended Article L33-12 of the CPCE, giving ARCEP greater flexibility in implementing measures relating to service quality and coverage of electronic communications networks and services. While these measures are implemented by operators, they are now subject to supervision by independent bodies selected by ARCEP, and the related costs are borne directly by the operators concerned.

Financing of universal service

Pursuant to law no. 2003-1365 of December 31, 2003, the operator that is bound to guarantee the provision of universal service is designated on the basis of calls for applications . The application procedure is administered by the Minister for Electronic Communications. All the operators who want to apply for the universal service provider position in France, have to propose their candidatures with their technical and financial conditions and the cost of their services.

Orange was selected following the call for applications launched in 2013 for connection and telephone service components and was designated as service provider for these universal service components until November 2016. Orange is still in charge of these universal service components to date.

PagesJaunes, a provider, was chosen following the call for applications launched in 2011 for the provision of a subscribers' directory in printed form and was designated as service provider for this universal service component until December 2014. To date, PageJaunes is still providing such universal services.

Under Articles L. 35 et seq. of the CPCE, universal service obligations include (i) universal electronic communications service, (ii) additional services to universal electronic communications service, and (iii) general interest missions in electronic communications, defense and security, public research and higher education. Universal electronic communications service includes (a) connection to a fixed public network and quality telephony service, in particular facsimile communications and data communications, at rates sufficient for access to the internet, as well as free handling of emergency calls, at an affordable price; (b) a directory enquiries service and a subscriber directory; (c) special measures for disabled end-users.

Law no. 2015-990 of August 6, 2015 on economic growth, activity and equal economic opportunities removed access to public payphones from universal service.

No universal service provider is selected any longer for directory enquiry services and directory information because of the competitive situation on their respective markets.

Every year, ARCEP determines the net cost of universal service and puts in place a mechanism for shared financing between electronic communications operators in case of an unfair burden on the designated operator, for the period during which it was selected. In this case, ARCEP fixes operators' contributions (provisional, then final) proportionally to their relevant revenues. ARCEP decision no. 2017-1344 of November 14, 2017 set the final review of the net cost of universal service and operators' contributions for 2017 and ARCEP decision no. 2017-0889 of July 25, 2017 set operators' provisional contributions for 2018.

SFR's contribution for 2017 was €2,043,472.23 and its provisional contribution for 2018 is €2,687,439.10.

Asymmetric regulation of the fixed telephony markets and fast and superfast broadband markets

Review of fixed telephony markets

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. Ex ante asymmetric regulation is focused on market segments (mainly wholesale markets) in which distortions of competition and dominant market positions have been identified. Pursuant to the Framework Directive, Regulation 1211/2009 establishing the BEREC and articles L. 371 to L. 38-1 of the CPCE, ARCEP is required, under the supervision of the European Commission and the BEREC, and on the basis of the recommendation of the Competition Authority, to (i) define the relevant markets in France, (ii) analyze the relevant markets and identify companies that have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with the competition problems identified.

Analysis of the fixed broadband and superfast fixed broadband markets

ARCEP decisions no. 2014-0733, no. 2014-0734 and no.2014-0735 of June 26, 2014, respectively, established the fourth round of analysis of the wholesale market for physical network infrastructure access to the local wireline loop (market 4), the wholesale market within France for broadband and high-capacity broadband (market 5) and the wholesale market for capacity services (market 6) for the period from mid-2014 to mid-2017. These decisions define the asymmetrical regulation of broadband and superfast broadband fixed markets and apply only to Orange, identified as the only operator exercising significant influence in these markets. As such, Orange is subject to specific obligations concerning access (unbundling of the copper local loop and access to its infrastructures), in particular meeting reasonable requests for access and providing access under non-discriminatory conditions at regulated pricing conditions.

The unbundling of the Orange's copper lines is the main line of action in terms of sector regulation. It is through unbundling that multiservice offers such as the "triple play" offers on telephone lines that can support them have developed in France.

Unbundling requires operators to make considerable investments; the geographic coverage of operators is only extended gradually over the territory. Complementing unbundling, alternative operators have sometimes, on an infra-national basis, used wholesale offers of DSL run by Orange that enable them, to date, to market internet access services and telephone services over the entire territory in retail markets.

This new framework defines non-discriminatory obligations that have been strengthened in accordance with the European Commission's recommendation of September 11, 2013, on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

On December 21, 2017, ARCEP adopted, through its decision no. 2017-1570, the following rate cap covering years 2016 to 2020 on access to Orange's copper local loop:

		2016	**2017**	**2018**	**2019**	**2020**
Full Unbundling	**Monthly fee for unbundling**	€ 9.10	€ 9.45	€ 9.31	€ 9.41	€ 9.51
	Total unbundling fees	€ 50	€ 50	€ 50	€ 50	€ 50
	Termination	€ 15	€ 15	€ 5	€ 5	€ 5
	After-sale services	€ 105	€ 105	€ 105	€ 105	€ 105
Partial Unbundling	**Monthly fee for unbundling**	€ 1.77	€ 1.77	€ 1.77	€ 1.77	€ 1.77
	Total unbundling fees	€ 66	€ 66	€ 66	€ 66	€ 66
	Termination	€ 35	€ 35	€ 35	€ 35	€ 35

Asymmetric regulation of voice call termination markets and the regulatory framework specific to fixed broadband and superfast broadband

Analysis of fixed voice call termination markets

ARCEP decision no. 2014-1485 of December 9, 2014 established the fourth round analysis of the wholesale markets for fixed voice call terminations and mobile voice call termination for the period from January 1, 2015 to December 31, 2017. Concerning fixed voice call termination markets (market 3), every fixed-line operator is deemed to exercise significant influence on the market for the termination it provides on its individual network. The decision imposes rate control obligations on each operator and sets the following caps for fixed voice call termination:

- Until December 31, 2014, a c€0.08 /min cap, corresponding to the last cap the previous market analysis imposed;

- From January 1, 2015, a c€0.079 /min cap for 1 year;

- From January 1, 2016, a c€0.078 /min cap for 1 year; and

- From January 1, 2017, a c€0.077 /min cap for 1 year.

ARCEP decision no. 2017-1453 of December 12, 2017 established the fifth round analysis of the wholesale markets for fixed voice call terminations and mobile voice call terminations for the period from January 1, 2017 to December 31, 2020. Contrary to decision no. 2014-1485, decision no. 2017-1453 does not set caps for fixed call terminations, but merely provides the possibility for ARCEP to impose such caps at any point of time during the designated period if required.

The regulatory environment specific to fiber optic superfast broadband

Pursuant to law no. 2008-776 of August 4, 2008, any entity that (i) is establishing or has established an optical fibre ultrafast broadband electronic communications line in an existing building or (ii) exploits an optical fibre ultrafast broadband electronic communications line, and which makes it possible to serve an end-user, must satisfy all reasonable requests from operators for access to said line. Except in cases defined by the regulatory authority, access is to be provided under transparent and non-discriminatory conditions from a point located outside the limits of the private property, and which allows third-party operators to connect to it, under reasonable economic, technical and access conditions. Any refusal to provide this access must be justified.

ARCEP has specified the regulatory framework and the principles set forth in Article L. 34-8-3 through several decisions and recommendations successively published since December 2009.

These decisions organize rules for sharing the terminal portion of FTTH networks, i.e., downstream of the shared access point, in very densely populated areas and outside of them, in particular by specifying the obligations of the building operator regarding information provided to the commercial operator.

The decision no. 2009-1106 of December 22, 2009 for example defines very high density areas as densely populated municipalities where infrastructure-based competition is possible, and stipulates that the list of municipalities that make up these areas could be adjusted should the need arise.

ARCEP decision no. 2015-0776 of July 2, 2015 has specified and strengthened the obligations of building operators: they must guarantee the availability, traceability and non-discriminatory nature of information provided to commercial operators.

In addition, Article 117 of law no. 2015-990 of August 6, 2015 on economic growth, activity and equal economic opportunities instituted the status of fiber-covered zone (zone fibrée) that can be obtained once the establishment or operation of a fiber optic network that is open to sharing are advanced enough to trigger measures facilitating the switch over to superfast broadband, i.e., promoting the migration from a copper local loop to optic local loop.

On, February 18 2016, ARCEP launched an observatory on mobile network rollouts in sparsely populated areas and officially notified Bouygues Telecom and SFR to meet their next deadline to provide 4G coverage in sparsely populated areas. ARCEP has also decided to closely scrutinize Bouygues Telecom and SFR 4G rollouts in sparsely populated parts of France. ARCEP approves the draft agreement between the four operators (as part of the town-centers coverage programme since “Macon Law) concluded to provide 2G and 3G coverage in the country’s town centres.

Pursuant to law no. 2016-1321 of October 2016, article L. 33-11 of the CPCE and decree no. 2016-1182 of August 30, 2016, application for the status of fiber-covered zone must be made by the operator that rolls out the new fiber optic network, or by the local authority that established it under Article L. 1425-1 of the General Local Authorities Code. The status is granted by ARCEP after having emitted a favourable opinion, which lists the petitioner’s obligations.

Regulatory framework specific to mobile operators

Obligations relating to networks and frequencies

Conditions for authorizations to use frequencies

Article L. 33-1 of the CPCE authorizes mobile operators to use frequencies to establish and operate 2G, 3G and 4G generation networks. These frequencies can be used in accordance with the conditions laid down in the European Directives (for the 900 MHz band) or the implementing decisions of the European Commission (for other frequency bands) and the conditions laid down by the licenses to use the frequencies granted by ARCEP. These instruments are supplemented by the harmonization decisions of the Electronic Communications Committee (ECC) of the European Conference of Postal and Telecommunications Administrations (CEPT), as well as recommendations on the coordination of radio frequencies at borders. Within France, ARCEP lays down technical conditions for the use of radio frequencies for certain frequency bands.

New frequency allocation schedule

Following the allocation of frequencies in the 700 MHz band, new frequencies bands will be allocated in France in the years ahead (900 MHz, 1800 MHz and 2.1 GHz bands). ARCEP initiated an open consultation concerning the reallocation of said frequencies at the expiry of the French telecom operators’ licences to use these frequencies. The open consultation ended on May 16, 2018. Even though no schedule for said allocations has been announced as of the date of the Offering Memorandum, we expect the frequencies to have been allocated by the end of 2018.

SFR’s licenses to use frequencies will expire as follows:

- On March 24, 2021 for the 900 and 1800 MHz frequencies;
- On August 20, 2021 for the 2.1 GHz frequency;

- On June 7, 2030 for the 2.1 GHz frequency that was granted in 2010;
- On October 10, 2031 for the 2.6 GHz frequency; and
- On December 7, 2035 for the 700 MHz frequency.

Therefore, the 900, 1800 and 2100 MHz frequencies currently operated by SFR will be affected by the upcoming reallocation.

4G frequency refarming

The 1800 MHz band is one of the two frequency bands that have historically been used by 2G networks. It is now due to progressively be reused more efficiently by 4G services. Consequently, the terms of mobile operators' licenses need to be amended to lift the 2G-only restriction they contain.

To make the band technology-neutral and to prepare for its reuse by 4G services, ARCEP published in March 2013, a guidance document for the introduction of technological neutrality in the 1800 MHz band (definition of the method applied in case of early request for the introduction of technological neutrality, i.e., before May 25, 2016, under the terms of Ordinance No. 2011-1012 of August 24, 2011 on the transposition of Directive 2009/140/CE) or before this date if the parties that hold licenses in that band so request.

ARCEP put these guidelines into effect when Bouygues Telecom requested that the technological restrictions listed in its license be lifted. As a result:

- Bouygues Telecom was authorized to use 4G at 1800 MHz from October 1, 2013 by ARCEP Decision No. 13-0514 of April 4, 2013.
- Free Mobile was authorized to use technologically neutral frequencies at 1800 MHz under ARCEP Decision No. 14-1542 of December 16, 2014.
- As for Orange and SFR, ARCEP authorized them to deploy 4G networks in the 1800 MHz starting on May 25, 2016 pursuant to Decision Nos. 2015-0975 and 2015-0976.
- Starting from June 13, 2017, SFR was also authorised to use 4G at 2,1 MHz by ARCEP Decision no. 2017-0735.

Network sharing

As stated in ARCEP Opinion No. 2012-1627 of December 20, 2012, while competition through infrastructure is important in ensuring competitive dynamics and a high level of investment, the sharing of networks is not incompatible with the goal of promoting competition. In a context of increased competitive pressure, and even as investment requirements remain significant, in particular in the rollout of 4G, the sharing of networks can offer operators a means to cut costs and deliver gains to users in terms of extending coverage and improving service quality.

The sharing of networks and frequencies is encouraged and even imposed in France through several specific mechanisms aimed at achieving the shared goal of expanding mobile coverage across the national territory:

- the "white zones" program initiated in 2003 under the auspices of the Minister for Regional Planning and ARCEP, to provide 2G coverage to the village centers of about 3,300 municipalities;
- an agreement on 3G network sharing, in accordance with ARCEP Decision No. 2009-329 of April 9, 2009, signed on February 11, 2010 by three mobile operators (SFR, Orange and Bouygues Telecom), providing for the sharing of 3G network infrastructure among mobile operators in the country's less densely populated areas. The agreement was supplemented by the signing of an agreement on July 23, 2010 with Free Mobile setting out arrangements for its deferred joining mechanism; and
- obligations to share networks and frequencies arising from authorizations to use 4G frequencies, providing that authorization holders cover, within a maximum period of 15 years (until January 2027), the village

centers of municipalities located in the "white zones" and requiring that they jointly carry out the sharing of the 800 MHz band;

- incentives to share frequencies arising from authorizations to use 4G frequencies in the 700 MHz band (Bouygues Telecom, Free Mobile, Orange and SFR) also providing that their holders cover, within a maximum period of 15 years (until January 2027), the village centers of municipalities located in the "white zone" and urging them to sign framework agreements providing for a schedule and conditions under which, where necessary, the sharing of frequencies in the 700 MHz band will take place;

On May 27, 2014, by Decision No. 2014-0625-RDPI, ARCEP opened an administrative investigation into four mobile network operators with regard to their obligations to provide 3G coverage in less densely populated areas of the country in accordance with the agreement to share 3G network infrastructure in those areas. Article L.34-8-5 inserted in the CPCE Law No. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities provides for the signing of a new agreement among the State, local authorities and mobile network operators aimed at ensuring coverage of less densely populated areas. In anticipation of that arrangement, a memorandum of understanding was signed by mobile operators in May 2015, under which operators are bound to provide 2G coverage to the "white zones" by the end of 2016 and 3G coverage to the same zones by mid-2017.

Apart from these specific arrangements, the conditions under which network or frequency sharing agreements in general can be carried out by mobile operators were specified by the Competition Authority in an opinion issued on March 11, 2013.

On January 31, 2014, SFR and Bouygues Telecom announced the signing of an agreement on the sharing of part of their mobile networks (see "*Material Contracts—Wireless Network Agreements—Bouygues Telecom Agreement*"). In a press release issued on January 31, 2014, ARCEP welcomed the agreement, provided that three conditions are met: (i) maintenance of the operators' strategic and commercial autonomy; (ii) absence of foreclosure effects; and (iii) improvement of the services provided to users in terms of coverage and quality of service. In addition, the signing of the agreement was referred to the Competition Authority by Orange on April 29, 2014. The Competition Authority's approval of the SFR and Bouygues Telecom agreement was thereafter amended several times, such amendments being examined and approved by ARCEP.

On June 16, 2016, after public consultation, ARCEP adopted guidelines on network sharing. Said guidelines were challenged before the Conseil d'Etat by Bouygues Telecom and Free. Their requests for annulment of the guidelines were dismissed by the Conseil d'Etat on December 13, 2017.

Roaming

Roaming is another form of infrastructure sharing between operators under which an operator receives the customers of another operator on its network. Only the host operator's frequencies are used.

Roaming is implemented in France through several sets of specific measures including, in particular, (i) the "white zones" program initiated in 2003 and referred to above, (ii) the arrangement concerning Free Mobile's 2G and 4G roaming rights, and (iii) the general provisions of Article L. 34-8-1 of the CPCE.

In its 3G authorization, Free Mobile had a roaming right on the network of one of the three 2G operators until January 2016. In March 2011, Free Mobile signed a 2G roaming agreement with Orange, later extended to 3G, which was in force until 2018. On January 12, 2016, using its new power from the Macron Law, ARCEP hastened the end of the roaming arrangements between Free Mobile and Orange:

- For 3G services, the agreements should be terminated between the end of 2018 and the end of 2020.

- For 2G services, the termination could come into effect between the beginning of 2020 and the end of 2022.

Free Mobile also has a 4G roaming right on the network of SFR, under which it obtained two 4G frequency blocks in the 800 MHz band.

On November 26, 2015, the Commission launched a public consultation on the review of national wholesale roaming markets, fair use policy and the sustainability mechanism referred to in the Roaming Regulation, as amended by Regulation 2015/2120.

Updates on Overseas Market

Overseas roaming refers to the ability to use her mobile phone plan when traveling in France but in French Territory that are not covered by her original operator (overseas departments and territories). This is identical to international roaming, when a user from France travels abroad, or a foreign user is travelling in France

On January 21, 2016, ARCEP provided the Government with its opinion on roaming charges in France's overseas markets. In 2015, the Government had solicited ARCEP's expertise to inform the debate over the Law no. 2015-1268 on updating laws in French overseas departments and territories, which ultimately inserted a provision into the CPCE that puts an end to roaming fees for mobile telephone calls and short text messages (SMS) for users travelling between Metropolitan and overseas France, starting on May 1, 2016. ARCEP considers that this new provision will substantially destabilize overseas markets.

Law no. 2015-990 of August 6, 2015 on Economic Growth, Activity and Equal Economic Opportunities amended the CPCE, giving ARCEP new prerogatives in terms of network sharing and allows ARCEP, after obtaining the opinion of the Competition Authority, to request the amendment of existing agreements, by specifying their geographical limits, term or conditions for their implementation. On January 12, 2016, ARCEP published draft guidelines for public consultation, in order to provide operators with greater visibility regarding the consequences of this change in legal framework.

Complementary regulatory framework applicable to mobile operators and symmetrical regulation from market analyses—mobile voice call termination and SMS voice call termination

Complementary regulatory framework applicable to mobile operators

Apart from the general obligations applicable to every network operator or provider of electronic communications service to the public (as specified in particular in Article L. 33-1 as well as in Articles D. 98-3 to D. 98-13 of the CPCE), mobile operators must meet certain complementary obligations applicable to them.

The Macron Law added a new Article L. 34-8-5 to the CPCE pursuant to which the French State, local governmental authorities and mobile operators may conclude an agreement defining the conditions of coverage of zones where no mobile service was then available. The agreement defines the conditions under which local governmental authorities can, after having determined that private initiatives are lacking, put certain types of infrastructure at the disposal of a service provider in order to provide 3G mobile services in such un-serviced zones.

ARCEP Decision no. 2012-0855 on the reorganization of number ranges starting with 06 and 07 provides for the creation of a mobile number range extending to 14 digits in mainland France and a ban on the use of 10-digit mobile numbers for Machine-to-Machine ("M2M") communication services in mainland France effective January 1, 2016.

Due to difficulties faced by operators in implementing this decision and following the drop in the annual mobile number assignment rate, but without calling into question the risk of saturation linked to the increase in M2M requirements, ARCEP Decision no. 2015-1295 of October 22, 2015 authorized operators who make such request to postpone the ban on assigning 10-digit mobile numbers for M2M communications until June 30, 2017.

Beyond these general obligations, mobile operators are also bound by symmetrical regulation obligations as part of market analyses conducted by ARCEP.

Analysis of mobile voice call termination markets

The regulation of mobile voice call termination rates led to a steady and significant drop in the caps of these rates over time as shown in the following table indicating how they changed for operators in mainland France:

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**As of July 1, 2009**	**As of July 1, 2010**	**From July 1, 2011 to Dec. 30, 2011**	**From Jan. 12, 2012 to June 30, 2012**	**July 1, 2012 to Dec. 30, 2012**	**As of Jan. 1, 2013**	**As of July 1, 2013**	**As of Jan. 1, 2015**	**As of Jan. 1, 2016**	**As of Jan. 1, 2017**
	In c€																
Orange SFR	20.12	17.07	14.94	12.5	9.5	7.5	6.5	4.5	3								
Bouygues Telecom Télécom	27.49	24.67	17.89	14.79	11.24	9.24	8.5	6	3.4	2	1.5	1	0.8	0.8	0.78	0.76	0.74
Free Mobile Full MVNO												1.6	1.1				

Source: ARCEP

ARCEP Decision No. 2014-1485 of December 9, 2014 established the fourth round analysis of the wholesale markets for fixed voice call terminations and SMS mobile voice call termination in mainland and overseas France for the period from January 1, 2015 to December 31, 2017. Concerning mobile voice call termination markets (market 7), every mobile and Full MVNO operator is deemed to exercise significant influence on the market for the termination it provides on its individual network. As such, the decision in particular imposes rate control obligations on each operator and sets the following caps for mobile voice call termination:

- Until December 31, 2014, a c€0.08/min cap for operators in mainland France and c€1/min for overseas operators, corresponding to the last caps the previous market analysis imposed;

- From January 1, 2015, a c€0.78/min cap for 1 year;

- From January 1, 2016, a c€0.76/min cap for 1 year; and

- From January 1, 2017, a c€0.074/min cap for 1 year.

The voice call termination rates of all operators regulated in France are in line with the European Commission recommendation of May 7, 2009 on the regulatory treatment of fixed and mobile termination rates in the European Union: they are symmetrical and directed towards the long-run incremental costs of an efficient generic operator.

Owing to ARCEP’s speedy implementation of this recommendation, France is one of the European Union countries where mobile voice call termination rates are lowest.

A draft decision establishing the fifth round analysis of the wholesale markets for fixed voice call terminations and SMS mobile voice call terminations in mainland and overseas France for the period from January 1, 2017 to December 31, 2020 was transmitted by ARCEP to the European Commission by the end of 2017.

According to the draft decision, the following caps are set for mobile voice call terminations:

- Until December 31, 2017, a c€0.74/min cap for 1 year;

- From January 1, 2018, a c€0.72/min cap for 1 year;

- From January 1, 2016, a c€0.70/min cap for 1 year; and

- From January 1, 2017, a c€0.68/min cap for 1 year.

Analysis of mobile SMS voice call termination markets

ARCEP's regulation of SMS termination markets has led to a steady and significant drop in the pricing caps of SMS termination of operators regulated in mainland and overseas France, as shown in the following table:

	At Aug. 1, 2006	**At Oct. 1, 2010**	**At July 1, 2011**	**At Jan. 1, 2012**	**At July 1, 2012**	**At Jan. 1, 2013**
			In c€			
Orange and SFR	3	2	1.5			
Bouygues Telecom Télécom	3.5	2.17			1	
Réunion Mayotte zone operators						1
French West Indies and Guyana zone		3		2		

Source: ARCEP

As part of its fourth round analysis of wholesale fixed voice call, mobile voice and SMS termination markets, which was launched in 2013, ARCEP was considering maintaining and extending the regulation of SMS termination rates for three years, and the regulation appeared in the draft decision sent by ARCEP to the European Commission on October 28, 2014.

However, in its observations dated November 28, 2014, the European Commission expressed serious doubts about the draft regulation of SMS termination markets and opened a detailed investigation and discussion procedure with ARCEP and ORECE for two months (investigation phase).

After the allowed two-month period, the dialogue failed to identify any consensus on competitive risks and the regulation to be implemented to prevent them. As a result, ARCEP announced on January 29, 2015 that it was withdrawing its draft regulation of SMS terminations but would continue monitoring these markets.

Individual obligations arising from the Group's authorizations to use frequencies

SFR's authorizations to use mobile frequencies

The following table summarizes SFR's authorizations to use mobile frequencies, indicating for each frequency band the technology currently authorized, the quantity of frequencies allocated to SFR, ARCEP's decisions or orders, as well as allocation and expiration dates.

Band	**Allocations**	**Changes**	**Quantity**	**Technologies**	**Allocation date**	**Expiration date**
700 MHz	no. 15-1569		2 x 5 MHz	4G	12/08/2015	12/08/2035
800 MHz	no. 12-0039		2 x 10 MHz	4G	01/17/2012	01/17/2032
900 MHz			2 x 10 MHz	2G, 3G		
1800 MHz	no. 06-0140	no. 08-0228 no. 10-0399 no. 11-1018 no. 12-0281 no. 15-0976	2 x 23.8 MHz	2G	30/25/2006	03/25/2021
2.1 GHz	order of July 18, 2001 no. 01-0647	orders of January 7, 2002, December 3, 2002, December 16, 2003 no. 01-0972 no. 01-1195 no. 02-0052 no. 03-0201 no. 04-0069 no. 17-0735	2 x 14.8 + 5 MHz	3G	08/21/2001	08/21/2021
2.1 GHz	no. 10-0633	no. 17-0735	2 x 5 MHz	3G, 4G	06/08/2010	06/08/2030
2.6 GHz	no. 11-1171		2 x 15 MHz	4G	10/11/2011	11/10/2031

The values indicated in the above table reflect the frequency quantities allocated to SFR in 2015. These values changed in 2016, in accordance with ARCEP Decision no. 15-0976 of July 30, 2015, for the 1800 MHz band:

- 2 x 21 MHz to 1800 MHz, from January 1, to March 14, 2016;
- 2 x 28.1 MHz to 1800 MHz, from March 15, to May 24, 2016;
- 2 x 20 MHz to 1800 MHz, from May 25, 2016.

SFR is authorized to use 4G in the 1800 MHz band as of May 25, 2016, under ARCEP decision no.15-0976 of July 30, 2015.

In addition to the general obligations or symmetrical regulation described above, there are individual obligations linked to commitments made by SFR when it was granted the different authorizations to use frequencies for which it holds authorizations.

The individual authorizations are mainly the following:

3G coverage commitments

The table below summarizes the 3G coverage commitments applicable to SFR:

Time frame	**December 31, 2010**	**December 31, 2011**	**December 31, 2013**
Coverage obligation (as a % of the population coverage)	88%	98%	99.3%

Source: ARCEP

Under Decision No. 2014-0624-RDPI of May 27, 2014, ARCEP opened an administrative inquiry into SFR to examine compliance with its commitment with respect to the last deadline for deploying its 3G mobile network, corresponding to 99.3% of coverage. The ARCEP haven't published any results of this inquiry yet regarding the 3G coverage of SFR. Please note that the lack of publication pertaining to the administrative inquiry can mean either that (i) ARCEP is still investigating the matter or (ii) ARCEP is considering whether to close the matter or to open a sanction procedure.

Finally, ARCEP's tool named "monreseaumobile.fr" allowing any end-consumer to assess the coverage and the quality of the services provided for by any service provider tends to show that, to date, SFR complies with its coverage obligations.

Commitments in respect of superfast mobile broadband

The schedule below summarizes the deployment obligations set forth by SFR's 4G licenses in the 700 MHz, 800 MHz and 2.6 GHz bands:

Deadline	**10/11/2015**	**01/17/2017**	**10/11/2019**	**01/17/2022**	**10/11/2023**	**01/17/2024**	**01/17/2027**	**12/08/2030**
In the priority deployment area (18% of population and 63% of the territory		40% (800 MHz)		90% (800 MHz)			97.7%(*) (800 MHz)	
				50% (700 MHz)			92% (700 MHz)	97.7% (700 MHz)
In each *département*						90% (800 MHz)	95% (800 MHz)	
							90% (700 MHz)	95% (700 MHz)
Across mainland France	25% (2.6 GHz)		60% (2.6 GHz)		75% (2.6 GHz)			
						98% (800 MHz)	99.6% (800 MHz)	
							98% (700 MHz)	99.6% (700 MHz)
High-priority routes								100% (700 MHz)

Deadline	**10/11/2015**	**01/17/2017**	**10/11/2019**	**01/17/2022**	**10/11/2023**	**01/17/2024**	**01/17/2027**	**12/08/2030**
				60% (700 MHz)			80% (700 MHz)	90% (700 MHz)
National rail network							60% (700 MHz)	80% (700 MHz)

(*) Obligation that does not appear in authorizations, but results automatically from the obligation to cover 99.6% of the mainland France population.

Coverage commitments in priority deployment areas would have to be met using 800 MHz and 700 MHz frequencies. The other coverage obligations can be met using all the superfast mobile broadband frequencies allocated to SFR.

Under a new decision no. 2016-0244 of February 18, 2016, ARCEP sent a formal notice to SFR inviting the operator to respect their commitment of 4G coverage before January 17, 2017 (in January 2016 the 4G coverage of SFR was 8% where such coverage has to be 40% of coverage 2017).

MVNOs (Mobile Virtual Network Operators) hosting commitments

During the procedure to allocate residual frequencies of the 2.1 GHz band, SFR undertook to host MVNOs on its network under conditions “that do not restrict, without objective justification, competition on the wholesale hosting market of MVNOs and the commercial autonomy of MVNOs on the retail market”.

Also, under its 4G license in the 800 MHz band, SFR notably undertook to:

(i) meet “reasonable requests to host on its mobile superfast broadband network opened to the public”;

(ii) provide the MVNOs it hosts on its network with “hosting on economic terms that are reasonable, taking into consideration prevailing conditions on the wholesale and retail markets on which SFR operates, and compatible with the exercise of effective and fair competition on these markets; and

(iii) make “an offer based on the a full-MVNO architecture and involving the provision of access to its radio local loop “under conditions allowing its effective operation, in particular under non-discriminatory conditions in terms of quality of service in relation to those available to SFR for its own services”.

Free Mobile’s 4G roaming right in the 800 MHz band in priority deployment areas

SFR, which holds an authorization combining two blocks of 800 MHz band, must allow Free Mobile to roam, if Free Mobile makes a reasonable request, (i) once Free Mobile’s 2.6 GHz network reaches 25% population coverage, and (ii) if Free Mobile does not already have roaming hosting on the mobile superfast broadband network of another frequency holder in the 800 MHz band. This right concerns 4G in the priority deployment area in the 800 MHz band or 18% of population and 63% of the territory.

Legal Status of Networks

General considerations

Telecommunications networks are predominantly comprised of physical infrastructure, such as cable ducts, network nodes and switches, in which telecommunications equipment, such as cable, is laid. These components may be subject to differing legal and regulatory considerations. As a consequence of the fact that the Group’s physical infrastructure is built on both public property and private property owned by third parties, the Group has signed concessions agreements, farming contracts, public property occupancy agreements and leases with various property owners. The Group also benefits from certain easements and indefeasible rights of use (“IRUs”) granted by land owners. The Group has also entered into certain agreements with Orange regarding use of its infrastructure.

The Group has built its network by acquiring and combining entities with established networks under differing regulatory regimes. Such entities previously operated under a combination of the regulatory frameworks described below.

Telecommunications equipment may be owned directly by telecommunications operators or third parties and several telecommunications operators may occupy and utilize the same infrastructure.

In accordance with Articles L. 2122-2 and L. 2122-3 of the general public property code, regional and local authorities may terminate public property occupancy agreements at any time by demonstrating that such action is in the public interest. Moreover, upon the expiration of a public property occupancy agreement, the occupant may be contractually obligated to: (i) return the entire network to regional or local authorities, in some cases for consideration corresponding to the fair market value of the network, and in other cases in absence of any consideration (ii) remove the entire network at the expense of the occupant or the regional or local authorities, (iii) transfer the network to other operators approved by regional or local authorities, or (iv) repurchase the network. In accordance with the law applicable to public property occupancy agreements, upon the expiration of leases designated as 'long-term leases', the infrastructure and equipment occupying the property reverts to regional and local authorities.

Specific Characteristics of the Cable Network

Networks utilizing Orange's infrastructure

In 1982, the French Government launched the Cable Plan (instituted by the laws of July 29, 1982 and of August 1, 1984). Pursuant to the Cable Plan, the cable network was initially built by the French Government prior to being transferred to Orange (the incumbent telecommunications operator in France). The network was initially operated by certain local entities funded by both private and public funds that the Group subsequently acquired. During such acquisitions, Orange granted the Group several IRUs over its infrastructure, which primarily consisted of ducts. These IRUs were entered into at different periods of time, and each granted the Group IRUs over Orange's infrastructure for 20 years. The renewal of the first IRU is scheduled to be negotiated with Orange in 2019.

In compliance with ARCEP decision 2008-0835 of July 24, 2008, on September 15, 2008, Orange published a technical and pricing quotation regarding third party access to its civil local loop fiber optic infrastructure, enabling third party telecommunications operators to deploy their own fiber optic networks through the use of Orange's ducts.

Orange invoked this ARCEP decision to unilaterally modify its IRU agreements with the Group in 2010, making the Group's contractual conditions to access Orange's facilities substantially more complicated and restricted as far as the Group's optical fiber network management and extension process is concerned. The case is pending before the French Supreme Court.

Therefore, by writ of summons dated October 7, 2010, SFR Fibre filed an action against Orange before the Commercial Court of Paris, seeking damages for breach of contract in the amount of €2.4 billion and/or a €893.6 millions award as reimbursement by Orange of the sums initially paid by the Group in consideration of the 20 year contractual term agreed in each IRU contract.

New Deal Plan

In 1986, the government launched the *Plan Nouvelle Donne* (the "New Deal Plan") pursuant to law 86-1067 of September 30, 1986 on the freedom of communication. This new regulatory framework authorized public local authorities to either build their own networks, or alternatively, to have such networks built by private entities. Several private entities that the Group subsequently acquired were commissioned to build such networks and secured both occupancy and usage rights as well as concessions to operate such networks for 20-30 year periods.

The New Deal Plan did not involve the use of standard-form contracts. Consequently, uncertainty arose surrounding the ownership of networks under certain long-term contracts between telecommunications operators and regional and local authorities. A main source of uncertainty related to contracts identified as "public service delegation contracts". Under a public service delegation contract, infrastructure and equipment used to provide public services are considered to be 'returnable assets' and consequently revert free of charge to local authorities upon the expiration or termination of the contract.

Law 2004-669 of July 9, 2004, which transposed the 2002 Telecoms Package into French law, imposed an obligation on local authorities to refrain from granting exclusive contractual rights for the establishment and/or operation of networks. In addition, law 2008-776 of August 4, 2008 authorized local authorities to grant rights of access to their networks to competitors of the Group, even in instances where such rights of access would be contrary to contractual obligations of local authorities under agreements entered into with the Group. In a July 2007 report, ARCEP opined that while consequent disagreements related to the breach of such contractual obligations could only be definitively decided by the judiciary on a case-by-case basis depending on the wording of each individual contract, contracts entered into between private operators and local authorities after 1990 (following law 90-1170 of December 29, 1990, which enabled municipalities to operate independent telecommunications networks within the framework of the Plan Nouvelle Donne) were deemed public service delegation contracts and therefore integrated the idea of networks as "returnable assets" which revert to local authorities upon contractual expiration or termination.

In order to clarify the conditions for compliance related to agreements entered into prior to the imposition of law 2004-699, the Group proposed, in May 2010, to ARCEP that ownership of civil infrastructure under such agreements (i.e., ducts) should be granted to local authorities while ownership of telecommunications equipment and existing cables should be granted to the Group through a process of transfer.

This proposal resulted in the standardization of settlement agreements which incorporated the Group's proposal. Under the new standardized agreements, the Group also obtained non-exclusive rights to use its own telecommunications equipment in ducts located on public property that had reverted to local authorities. The non-exclusive nature of these rights also enabled the Group's competitors to install and use their own equipment in such ducts.

See "*Risk Factors—Legal status of the network is complex and in certain cases subject to renewal or challenges*" for a description of the risks associated with the legal status of the Group's network.

Regulation of audiovisual services

The transmission and broadcast of radio and television services, irrespective of the method of transmission, falls within the scope of the 2002 Telecoms Package and is therefore subject to supervision by NRAs.

The supervisory powers of the French audiovisual sector regulator—the CSA—were extended by law 2004-669 of July 9, 2004 and law 2013-1028 of November 15, 2013 to cover all forms of radio, television and on-demand audiovisual services, irrespective of the method of transmission or broadcast. As a distributor of radio, television and on-demand media services, the Group is required make certain disclosures regarding its operations to the CSA.

Pursuant to Articles 42-1 and 42-2 of law 86-1067 of September 30, 1986, the CSA may sanction operators found to be in breach of the regulatory framework. Such sanctions include the mandatory suspension from the distribution of services and a fine of up to 3% of the operator's annual revenues, or 5% in the event of repeated breaches.

As a distributor of audiovisual services, the Group is subject to certain "must-carry" obligations which require cable, satellite or ADSL service providers to provide certain mandatory services on its network.

These must-carry obligations are governed by Articles 34-2, 34-4 and 34-5 of law 86-1067 of September 30, 1986.

Article 34-2 provides that all network types operating outside of the terrestrial frequencies allocated by the CSA must include the following television channels to subscribers free of charge: France 2, France 3, France 5, Arte, TV5, France Ô and La Chaîne Parlementaire. In addition, where a digital offering is concerned, France 4 must also be provided free of charge. For non-satellite offerings, distributors must provide their subscribers with local public initiative services intended to inform the public of local activities.

Pursuant to Article 34-4 of law no. 86-1067 of September 30, 1986, all French private terrestrial television channels (e.g., TF1 or M6) can demand that their programs be carried by the distribution network operators (cable, satellite, ADSL and mobile devices) and the latter must allow an access to the decoders and reference the programs of this channel in its TV guides. The French constitutional, in Decision no. 2004-497 of July 1, 2004, confirmed that pursuant this article, the private television channels have a right of access to decoders and a right of access to TV guides of the distributors.

Article 34-5 requires that digital electronic communications networks air all of France 3's regional programs.

The CSA is also empowered to regulate the content of the services distributed in France. Article 15 of law 86-1067 of September 30, 1986 provides that the CSA must enact rules to protect minors against programs which are considered to be dangerous to physical and mental health. The CSA has accordingly enacted strict rules regarding the use of specific pictograms on programs that are deemed to be unsuitable for minors. As an operator and distributor of television services, the Group ensures strict compliance with such regulations.

Regulation of electronic communications content

Content of on-line services and liability of internet market players

The provisions regarding liability of internet providers are set out in the CPCE. Additional provisions are contained in Law n° 2004-575 of 21 June 2004 on Confidence in the Digital Economy, which states that operators offering access to an electronic communications network do not have the general obligation to review the content they transmit or store. The civil or criminal liability of an operator offering access to an electronic communications network can be sought only if it initiates the transmission, selects the receiver of the transmission or selects or modifies the information contained in the transmission.

Legislative provisions were also introduced by law 2010-476 of May 12, 2010 to facilitate competition and to regulate online gambling and the gaming sector more generally. Law 2011-267 of March 14, 2011 on the policy and programming of the performance of internal security processes requires access providers to block access to certain websites and online content, such as illegal gambling sites and content involving sexual abuse of children, at the request of the French Online Gambling Regulatory Authority or the Ministry of Interior (*ministère de l'intérieur*).

Copyright and the internet

Pursuant to law 2009-669 passed on June 12, 2009 promoting the distribution and protection of creative works on the Internet, a specific 'graduated response' system was introduced with the aim of limiting illegal downloads. An independent and autonomous body, *la Haute Autorité pour la Diffusion des œuvres et la Protection des Droits sur Internet* (the High Authority for the Distribution of Art Works and the Protection of Rights on the Internet), was set up to manage and transmit electronic messages to individuals engaging in the illegal downloading of online content. On October 28, 2009, law 2009-1311 was passed to supplement the 'graduated response' system by providing that in the event of repeat infringement, a judge may impose a fine or suspend the Internet access of the individual responsible for the illegal download. This latter sanction was nevertheless later repealed by decree 2013-596 of July 8, 2013.

Measures to modernize copyright rules (especially the Directive 2001/29/EC) in light of the digital revolution and new consumer behavior have been announced by the European Commission, as part of an ambitious legislative program to create a Digital Single Market. The "Digital Single Market Strategy for Europe", set out in the Commission Communication of May 6, 2015, outlined key areas for legislative action to create a more modern European copyright framework, and to improve access to digital content, as part of its pillar on "Better online access for consumers and businesses across Europe".

EU Regulation 2017/1128 of June 14, 2017 on cross-border portability of online content services in the internal market aims at ensuring that consumers who buy or subscribe to films, sport broadcasts, music, e-books and games can access them when they travel in other EU countries.

The Commission has also presented its Proposal for a Directive on copyright in the Digital Single Market on September 14, 2016. The proposal has three main priorities: offering better choice and access to content online and across borders, improving copyright rules on research, education and inclusion of disabled people, and developing a fairer and sustainable marketplace for creators and press. The text has been approved by the Legal Affairs Committee of the European Parliament on June 20, 2018, and must now go through "trilogue negotiations" between Parliament, the Council and the Commission.

Processing of personal data and privacy protection

The processing of personal data is governed since May 25, 2018 by EU Regulation 2016/679 (General Data Protection Regulation or "GDPR"). The GDPR has replaced EU Directive 95/46/EC on privacy protection regarding the processing of personal data and the free movement of such data and modified a number of data protection principles.

The GDPR removes all prior formalities that data controllers were required to carry out with the French Data Protection Authority ("*Commission Nationale de l'Informatique et des Libertés*" or CNIL) before implementing a new processing. These formalities are replaced by a new accountability principle, which makes data controllers responsible for demonstrating compliance with the data protection principles. In particular, they must conduct and document a data protection impact assessment before implementing a processing which is likely to result in a high risk to the rights and freedoms of the data subjects. Data controllers and processors must also comply with the principles of privacy by design and by default, maintain a record of their processing activities and, in certain cases, appoint a data protection officer.

When a data controller uses the services of a data processor, it is required to conclude a contract that sets out the subject-matter and duration of the processing, the nature and purpose of the processing, the type of personal data and categories of data subjects and the obligations and rights of the controller. The contract must also contain all the mandatory provisions listed in article 28 of the GDPR.

The GDPR enshrines a wide range of existing and new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to request the porting of one's personal data to a new organization, the right to object to certain processing activities or to decisions taken by automated processes. Data controllers must reply to data subjects' requests within one month.

The GDPR empowers the data protection authorities to impose fines up to the higher of €10 million or 2 per cent of a company's global turnover, in case of certain breaches of data protection laws, and up to €20 million or 4 per cent of the company's global turnover in case of breaches of the basic principles of data collection or the violation of data subjects' rights.

In addition to the GDPR, Law n° 78-17 of January 6, 1978 on information technology, files and individual freedom (modified by Law n° 2018-493 of June 20, 2018 to be adapted to the GDPR) governs the data processing activities of companies established in France or which use processing activities located in France.

Article 34 bis of the 1978 Law requires the provider of public electronic communication services (operators) to notify forthwith the French Data protection authority, (*Commision nationale de l'informatique et les des libertés*, "CNIL") of a breach of personal data. When such a personal data breach might impact a subscriber's or an individual's personal data or privacy, the service provider must also notify that person without delay, unless the CNIL determines that adequate protective measures have been implemented (for example, as a result of encryption) and that the personal data breach is assessed by the CNIL as not being material. Operators must keep an updated record of all breaches of personal data (conditions, effects and remedial measures taken) and must make said record available to the CNIL upon request.

Additional national legislation include Law No. 2016-1321 of 7 October 2016 for a Digital Republic, which sets up:

- open data policy for government data ;
- payment by SMS;
- a limited right to maintain an internet connection households experiencing payment difficulties may receive financial assistance from a universal solidarity fund and their connection is to be maintained by their access provider while their assistance request is under examination.).

The Group is required to retain certain data in compliance with a variety of laws and regulations. Accordingly, the Group may be required to relinquish information in its possession regarding the identity, location and connection information of a user to duly authorized judicial or administrative authorities. The information subject to mandatory relinquishment does not include the content of a user's communications or the information consulted by the user. The data categories falling within the scope of this requirement are set out by decree. These requirements were supplemented within the framework of law 2015-912 of July 24, 2015 on intelligence, which notably states that for the sole purpose of anti-terrorism, information or documents relating to an individual who has been pre-determined to pose a threat may be collected in real time on an operator's network.

In accordance with Articles L. 852-1 et seq. of the Internal Security code, the Group can also intercept electronic communications transmitted via its networks at the request of duly authorized judicial and administrative authorities. Upon authorization by the Prime Minister and in accordance with the principle of proportionality, law 2015-912 also enables authorities to use automated processing techniques for the detection of connections likely to reveal terrorist threats through the use if an operator's network.

Additionally, operators are required to implement specific measures to protect their networks.

Article L33-1 of the CPCE obligate operators to notify security and integrity breaches of public electronic communications networks and services, to ARCEP.

Under articles D. 98-3 to D98-7 of the CPCE, operators:

- shall take all measures necessary to ensure the security of communications using their networks.

- shall take measures to protect its facilities, networks, and services against threats, risks from any cause.

- must be able to respond to the government's national defence requirements and to remedy the most serious consequences of failures or destructions of facilities.

- Must ensure secrecy of correspondence transmitted by means of telecommunications.

Law n° 2018-133 implementing the "Network and Information Security" Directive into French law and its implementing decree (decree n° 2018-384 of 23 May 201impose new network and information security requirements on operators of essential services and digital service providers: they must take appropriate security measures to manage the risks posed to the network and information systems, in order to prevent and minimize the impact of incidents affecting the security of their network and information systems and to ensure the continuity of their services.

Domain names

Law 2011-302 of March 22. 2011, as codified in Articles L. 45 et seq. of the CPCE, regulates the assignment and management of top-level domain names in France. The Group has registered a number of domain names in France that are considered to be assets. Courts have recently strengthened domain name protections by determining that a domain name may be protected as registered trademark.

The tax regime applicable to distributors of audiovisual services

Tax on television services

Since January 1, 2008, television broadcasters and TV service distributors have also been liable for service tax, irrespective of the electronic communication method used. Article 20 of the 2012 Amending Finance Law the scope of such tax to include electronic communications operators. Since January 14, 2014, the tax has been levied on revenues from income generated by users for TV services (with a 10% deduction) as well as income generated from the provision of public access to telephone services and online communication services where such services also enable the reception of television services (with a 66% deduction). The tax rate is progressive (from 0.5% for amounts between €10 and €250 million up to 3.5% for amounts above €750 million).

Turnover tax of electronic communications operators

Law 2009-258 of March 5, 2009 on audiovisual communication and the new public television service introduced a 0.9% tax levied on the portion of a telecommunications operator's turnover (excluding VAT) relating to electronic communication services above EUR 5,000,000. This tax became effective on March 7, 2009. The tax rate was raised to 1.3% in the 2016 via law 2015-1785 of December 29, 2015.

VAT arrangements applicable to TV services

Since March 1 2018, in accordance with Article 8 of the Finance Law for 2018 (Finance Law for 2018 of December 30, 2017 n° 2017-1837, art.8), the distributors of TV services that are included in a triple-play offering (i.e., a composite offer which includes for a fixed price access to services provided by electronic means such as telephone, Internet etc.) must apply the 10% reduced VAT rate for TV services as follows:

(i) If the distributor provides both an offer with and without TV services, the 10% VAT rate will only apply to the additional price paid by the customer buying the offer with TV services compared to the price of the offer without TV services;

(ii) If and only if the distributor doesn't provide an offer without TV services, the 10% VAT rate will only apply to the sums effectively paid by the distributor (per client) to buy the distribution rights of the TV services within the limit, where applicable, of the price at which TV services relating to the same distribution rights are otherwise marketed by the distributor.

Flat-rate tax on network businesses applied to radio stations

Article 1635-0d of the General Tax Code ("CGI") provides for a flat-rate tax on network businesses. Under Article 1519 H of the CGI, this tax also applies to radio stations requiring an opinion or agreement from, or disclosure to, the Agence nationale des fréquences (National Frequencies' Agency) in accordance with Article L. 43 of the CPCE.

Tax on sales and rentals of videograms for private use by the public

Article 1609o(B) of the CGI introduced a tax on sales and rentals of videograms for private use in France and in the French Overseas Territories . It is levied on the VAT-exclusive amount of the price paid by the customer and its legal base rate is set at 2% for general content and at 10% for adult content. The tax also applies to suppliers of on-demand video when such suppliers receive income for the provision of a video program to an end-user.

Taxes and fees required by the CPCE

- Fees for the use of radio frequencies: fees payable by mobile network operators for the use of radio frequencies are specified by the provisions of decree 2007-1532 of October 24, 2007, as amended. Such fees are comprised of a fixed portion and a variable portion, levied on the amount of revenue, and are calculated in accordance with the provisions of decree 2007-1532;

- Interference tax: pursuant to Article L. 43-I bis of the CPCE, operators are required to pay tax aimed at fully covering the costs incurred by the National Frequencies' Agency in collecting and processing the complaints of users regarding interference caused by radio stations in the 700 MHz and 800 MHz bands. The total amount of the tax to be collected is split, within the limit of EUR 2 million per year and per band, between the holders of usage rights in such frequency bands;

- Numbering tax: pursuant to Article L. 44-II of the CPCE, operators are required to pay tax related to the numbering resources assigned them by ARCEP;

- Contribution to the spectrum re-farming fund (*fonds de réaménagement du spectre*): Pursuant to Article L. 41-2 of the CPCE, mobile operators must contribute to the spectrum re-farming fund. Such contribution is aimed at fully covering the costs of the re-farming necessary for the provision and assignment of the frequencies as well as the costs incurred in frequency allocation undertaken by the National Frequency Agency in accordance with the provisions of Articles R. 20-44-6 and R. 20-44-7 of the CPCE; and

- The administrative taxes payable by operators to cover administrative costs resulting from the implementation of the provisions of the CPCE were repealed by Article 27 of finance law 2015-1785 of December 29, 2015.

MANAGEMENT OF THE GROUP

The Issuer

The Issuer is a public limited liability company (*société anonyme*) with a Board of Directors (*Conseil d'administration*), incorporated under the laws of France, registered under sole registration number 794 661 470 RCS Paris and having its registered office at 16 rue du General Alain de Boissieu, Paris, 75015 France.

The following table sets forth certain information regarding the members of the board of directors of the Issuer as of the date of the Offering Memorandum. The number of directors is not subject to any maximum limit. The sole shareholder of the Issuer has the authority to dismiss any director and fill any vacancy.

Name	Age	Position
Alain Weill	57	Director
Dennis Okhuijsen	47	Director
Jérémie Bonnin	44	Director

Alain Weill, 57, is a director of the Issuer. For Mr. Weill's biography, see "—*Senior Management of Altice Europe*" below.

Dennis Okhuijsen, 47, is a director of the Issuer. For Mr. Okhuijsen's biography, see "—*Senior Management of Altice Europe*" below.

Jérémie Bonnin, 44, is a director of the Issuer. Before joining Altice Europe, he was a manager in the Transaction Services department at KPMG, which he joined in 1998. He has a long track record of successful cross-border transactions, and in financial management within the telecom sector. Mr Bonnin received his engineering degree from the Institut d'Informatique d'Entreprises in France in 1998. He also graduated from the DECF in France (an equivalent to the CPA) in 1998.

Senior Management of Altice Europe

Patrick Drahi, President of the Board of Altice Europe. Mr. Drahi founded the Altice group in 2002. Mr. Drahi is a graduate from the Ecole Polytechnique and Ecole Nationale Supérieure de Télécommunications and began his professional career with the Philips Group in 1988 where he was in charge of international marketing (UK, Ireland, Scandinavia, Asia) in satellite and cable TV (DTH, CATV, MMDS). In 1991, Mr. Drahi joined the US/Scandinavian group Kinnevik-Millisat, where he was in charge of the development of private cable networks in Spain and France and was involved in the launch of commercial TV stations in Eastern Europe. In 1993, Mr. Drahi founded CMA, a consulting firm specialised in telecommunications and media, which was awarded a mandate from BCTV for the implementation of Beijing's full service cable network. In addition, Mr. Drahi founded two Cable companies, Sud Cable Services (1994) and Mediareseaux (1995), where he was involved in several buy-outs. When Mediareseaux was taken over by UPC at the end of 1999, Mr. Drahi advised UPC on its M&A activities until mid-2000.

Mr. Alain Weill, Chief Executive Officer of Altice Europe. Mr. Weill holds a Bachelor's degree in Economics and an MBA from HEC Business School. Mr. Weill has been the Chairman of the board and Chief Executive Officer of the Issuer since November 9, 2017. He began his career in 1985 as Director of the radio network NRJ. In 1992, he became the CEO of NRJ Group (made of 4 radio channels). In 2000, he acquired RMC radio and created the NextRadio group. He defined a new positioning for RMC made-up of 3 pillars: news, talk-shows and sports, which made the success of the radio station. In 2002, he purchased BFM and turned it into a radio station dedicated to business and finance coverage. In 2005, he launched BFM TV, which became the leading news TV channel in France. The NextRadio group became NextRadioTV in 2005, with close to 1,000 employees. The NextRadioTV group operates several TV channels (BFM TV, BFM Business TV, RMC Découverte, BFM Paris, BFM Sport, Numéro 23, SFR Sport 1), two radio stations (RMC, BFM Business Radio) and also includes high-tech and digital activities.

Dennis Okhuijsen, Chief Financial Officer of Altice Europe. Mr. Okhuijsen joined the Altice group in September 2012 as the Chief Financial Officer. Before joining the Altice group, he was a Treasurer for Liberty Global since 2005. From 1993 until 1996 he was a senior accountant at Arthur Andersen. He joined UPC in 1996 where he was responsible for accounting, treasury and investor relations up to 2005. His experience includes raising and maintaining non investment grade capital across both the loan markets as well as the bond/equity capital market. In his previous capacities he was also responsible for financial risk management, treasury and operational financing. He holds a master of Business Economics of the Erasmus University Rotterdam.

Armando Pereira, Chief Operating Officer of Altice Europe. Mr. Pereira has been Chief Operating Officer of Altice Europe since November 2017 and was a founding partner of the Altice group.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Group has entered into various agreements or transactions with its equity associates, its ultimate controlling shareholder and its principal shareholder, Altice Europe, as well as the companies that Altice Europe controls from time to time. These agreements and transactions are carried out on arm's length terms and the Group believes that the terms of these agreements are no more favorable to the related parties and the Group's affiliates than what they would have been with disinterested third parties.

The following summary describes the Group's material related party transactions. See the notes to the Historical Consolidated Financial Information included elsewhere in these Listing Particulars for more information.

Transactions with Altice Europe

General

In the ordinary course of business, we have entered into arrangements with Altice Europe and its affiliates for the provision or sourcing of certain products and services (by Altice Europe to the Issuer and vice-versa) and/or negotiation of related contractual arrangements, including the following:

- procurement of services, such as access to an international communications backbone, international carrier services and call termination services;
- prior to the acquisition of Altice Customer Services and Altice Technical Services France, the Group relied on Altice Europe for the purchase of customer and technical support services; and
- negotiation of programming contracts and acquisition of content, as further described below.

Transactions with Altice TV

Altice Europe owns Altice TV which, together with its subsidiaries (including AENS), encompasses Altice Europe's content distribution division. The Issuer has entered into various arrangements with Altice TV and its subsidiaries, including: (i) exclusive distribution rights in France provided to the Issuer with respect to a subscription-based VOD service known as "ZIVE" produced by Altice TV and (ii) exclusive distribution rights in France provided to the Issuer with respect to certain sports and other channels produced by Altice TV including SFR Sport 1 through 5, Altice Studio and My Cuisine (amongst others) and which includes certain exclusive premium sports content acquired by Altice TV.

On January 8, 2018, Altice Europe announced that existing content wholesale contracts between the Group and AENS, would be cancelled and replaced by a new revenue sharing contract with a lower guaranteed minimum amount payable by the Issuer ("**AENS Contract Renegotiation**"). The Issuer and AENS are currently in the process of agreeing the final terms of the revised contract, which we expected to be finalized in the fourth quarter of 2018. AENS will be eligible to receive a break-fee of €300 million as part of the renegotiation. This amount has been recorded as an expense by the Group as of March 31, 2018. This new arrangement will include the transfer of other premium content contracts from the Group to AENS and allow the Group to continue to distribute premium pay TV content to its customers, including SFR Sports and Altice Studio channels. The Issuer and AENS are in the process of agreeing the final terms of the new contract. As a consequence of the contract renegotiation with AENS, the total commitments of the Group are expected to decrease by approximately €1 billion (representing the reduction in the minimum guaranteed amount over the life of the new content contract to be entered into with AENS).

Acquisition of NextRadioTV

On May 12, 2016, Altice International disposed of its 49% stake in NextRadioTV, held through the joint venture Groupe News Participations ("**GNP**") with Alain Weill, to the Group. The Group's interest in NextRadioTV was acquired at a cost relative to the original purchase price paid by Altice International. On April 5, 2018, the Group acquired the minority stake held by News Participations S.A.S. ("**News Participations**") in Altice Content Luxembourg S.A. ("**Altice Content Luxembourg**"), an indirect parent of NextRadioTV and direct parent of GNP, for the amount of €100 million by exercising the call option it held on News Participation's 25% stake in Altice Content Luxembourg. News Participations is an entity controlled by Alain Weill who was appointed as the Group's Chairman and CEO in November 2017 and is also CEO of Altice Europe.

On January 30, 2017, the Group announced that it intended to take over exclusive control of NextRadioTV by acquiring the 51% stake held by News Participations in GNP and, to that effect, had filed the necessary application with the CSA and the French Competition Authority in order to obtain their clearance of the proposed transaction, which would be implemented through the conversion of existing convertible bonds. On June 13, 2017, the French Competition Authority granted its clearance and authorized the transaction. On April 20, 2018, the CSA granted its clearance and authorized the transaction and on May 31, 2018 the transaction was consummated. See "*Summary—Recent Developments*" for more information.

FOT Acquisition

In connection with the Altice Group Reorganization, the Group intends to acquire Altice Blue Two, the holding company for Altice International's operations in the French Overseas Territories. The acquisition is expected to be consummated in the third quarter of 2018 and the total consideration is expected to amount to approximately €470 million. See "*Summary—Recent Developments—Acquisition of Altice Europe's FOT Business*" for more information.

Acquisition of Altice Customer Services

Altice Customer Services provides certain call center services to Altice Europe and its affiliates (including the Group). On May 16, 2018, the Group acquired 65% of the shares capital of Altice Customer Services from Altice International, a subsidiary of Altice Europe. See "*Summary—Recent Developments*" for more information.

On December 8, 2017, Altice Customer Services (then owned by Altice International) acquired a 100% stake in SFR Service Client for an aggregate consideration of €6 million, excluding compensation for restructuring expenses amounting to €113 million. On May 16, 2018, in connection with the Altice Group Reorganization and the acquisition of Altice Customer Services as described in the preceding paragraph, the Group reacquired SFR Service Client.

Acquisition of Altice Technical Services France

Altice Technical Services France provided services and equipment relating to the deployment, maintenance and modernization of its telecommunications networks to the Group and its affiliates. On May 16, 2018, the Group acquired 100% of the share capital of Altice Technical Services France from Altice International, a subsidiary of Altice Europe. See "*Summary—Recent Developments*" for more information.

Transactions with Altice USA

Sale of i24NEWS to Altice USA

On April 23, 2018, the Group completed the sale of i24NEWS, an Israeli international 24-hour news and current affairs television channel, to Altice USA for $2.5 million.

Transactions with our Controlling Shareholder

Acquisition of SFR Presse

On May 25, 2016, the Group completed the acquisition of SFR Presse from a company controlled by Altice Europe's controlling shareholder. SFR Presse is a leading diversified and profitable media group in France, which publishes more than 20 major national titles, including iconic and well-known brands such as Libération, L'Express, L'Expansion, L'Etudiant and Stratégies. SFR Presse operates an international news channel (i24 News) and has positioned itself as the second largest operator in the French digital press sector. The total consideration for the transaction was €196 million.

Transactions with SCI Quadrans

In December 2016, the Group entered into a fixed twelve-year lease contract with SCI Quadrans (controlled by the ultimate beneficial owner of Altice Europe) for office space in France. A letter of intent was also executed in connection with additional buildings that were under construction at the time. In March 2017, a second fixed twelve-year lease contract for an administrative building was entered into with SCI Quadrans, compliant with the letter of intent signed in December 2016. In the year ended December 31, 2017, the Group incurred expenditures in the amount of €32 million due to an increase in the purchase of real estate leases from SCI Quadrans.

Transactions with Equity Associates

Transactions with La Poste Telecom

In 2011, the Group 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. We are currently party to an MVNO agreement with La Poste Telecom.

Transactions with Synerail and Synerail Construction

On February 18, 2010, a consortium comprised of the Group, 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 the Group (40%), is responsible of the construction of this network.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of our key items of indebtedness. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Existing Notes

On May 8, 2014, the Issuer issued (i) $4,000 million aggregate principal amount of its 6% Senior Secured Notes due 2022 denominated in U.S. dollars (the "**Existing 2022 Dollar Notes**"), (ii) €1,000 million aggregate principal amount of its $5^{3}/_{8}$% Senior Secured Notes due 2022 denominated in euro (the "**Existing 2022 Euro Notes**" and, together with the Existing 2022 Dollar Notes, the "**Existing 2022 Notes**"), (iii) $1,375 million aggregate principal amount of its $6^{1}/_{4}$% Senior Secured Notes due 2024 denominated in U.S. dollars (the "**Existing 2024 Dollar Notes**"), and (iv) €1,250 million aggregate principal amount of its $5^{5}/_{8}$% Senior Secured Notes due 2024 denominated in euro (the "**Existing 2024 Euro Note**s" and, together with the Existing 2024 Dollar Notes, the "**Existing 2024 Notes**").

The Existing 2022 Notes will mature on May 15, 2022 and the Existing 2024 Notes will mature on May 15, 2024. Interest on the Existing 2022 Notes and the Existing 2024 Notes is payable semi-annually in cash in arrears on each February 15 and August 15. The Existing 2022 Notes and the Existing 2024 Notes are governed by indentures relating to each of the Existing 2022 Notes and the Existing 2024 Notes entered into on May 8, 2014, between, among others, the Issuer, as issuer and Deutsche Bank AG, London Branch, as trustee (collectively, and as amended, restated, supplemented or otherwise modified from time to time, the "**Existing 2014 Notes Indentures**"). The Existing 2022 Notes are expected to be redeemed in full in connection with the Refinancing Transactions. See "*Use of Proceeds*" and *"Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities"* for more information.

On April 11, 2016, the Issuer issued $5,190 million aggregate principal amount of its $7^{3}/_{8}$ Senior Secured Notes due 2026 denominated in U.S. dollars (the "**Existing 2026 Notes**" and, together with the Existing 2022 Notes and the Existing 2024 Notes, the "**Existing Notes**").

The Existing 2026 Notes will mature on May 1, 2026. Interest on the Existing 2026 Notes is payable semi-annually in cash in arrears on each January 15 and July 15. The Existing 2026 Notes are governed the indenture entered into on April 11, 2016, between, among others, the Issuer, as issuer and Deutsche Bank Trust Company Americas, as trustee (the "**Existing 2016 Notes Indenture**" and, together with the Existing 2014 Notes Indentures, the "**Existing Notes Indentures**").

The Existing Notes are general obligations of the Issuer and (i) rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Existing Notes, including indebtedness under the Existing Term Loans, the Existing Revolving Credit Facilities Agreement and certain hedging obligations, (ii) rank senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Existing Notes and (iii) are effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Existing Notes, to the extent of the value of the property and assets securing such indebtedness.

The Existing Notes are guaranteed on a senior basis by each of Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S., Numericable U.S. LLC and (other than with respect to the Existing 2022 Euro Notes and the Existing 2024 Notes) SFR.

The Existing Notes are secured by (i) senior pledges over all of the capital stock of Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S, Numericable U.S. LLC; (ii) senior pledges over certain intercompany loans; (iii) senior pledges over the business (*fonds de commerce*) of SFR Fibre; (iv) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of Ypso France, Ypso Finance, SFR Fibre, Altice B2B France, Completel, Numericable U.S. S.A.S, Numericable U.S. LLC and (v) senior pledges over certain bank accounts of, and intercompany receivables owed to, the Issuer. Additionally, the Existing 2022 Dollar Notes and the Existing 2026 Notes benefit from senior pledges over the capital stock of SFR held by the Group, a senior pledge over certain bank accounts of SFR and the intragroup loan between the Issuer and SFR (the "**SFR Intragroup Loans**"); a senior pledge over the business (*fonds de commerce*) and intellectual property rights of SFR; and senior pledges over receivables owed to SFR by certain of its subsidiaries. The Existing 2022 Euro Notes and the Existing 2024 Notes benefit from senior pledges over the capital stock of SFR held by the Group and over the SFR Intragroup Loans (all such security described in this paragraph, the "**Existing Collateral**"). None of the network assets of the Group will be pledged as security for the Notes. The Existing Collateral also secures indebtedness due under the Existing Term Loans, the Existing Revolving Credit Facilities and certain related hedging obligations and also secure the Notes.

Under the terms of the Intercreditor Agreement (as described below), in the event of an enforcement of the Notes Collateral, holders of the Existing Notes will receive proceeds from such Notes Collateral *pari passu* with the lenders under the Existing Term Loans, the lenders under the Existing Revolving Credit Facilities Agreement, and counterparties to certain hedging agreements and the holders of the Notes.

From May 15, 2017, the Issuer may redeem all or part of the Existing 2022 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 15 of each year indicated below:

	Repurchase price	
Year	**Existing 2022 Dollar Notes**	**Existing 2022 Euro Notes**
2017	104.500%	104.031%
2018	103.000%	102.688%
2019	101.500%	101.344%
2020 and thereafter	100.000%	100.000%

Prior to May 15, 2019, the Issuer may redeem all or a portion of the Existing 2024 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 15, 2019, the Issuer may redeem all or part of the Existing 2024 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 15 of each year indicated below:

	Repurchase price	
Year	**Existing 2024 Dollar Notes**	**Existing 2024 Euro Notes**
2019	103.125%	102.813%
2020	102.083%	101.875%
2021	101.042%	100.938%
2022 and thereafter	100.000%	100.000%

Prior to May 1, 2021, the Issuer may redeem all or a portion of the Existing 2026 Notes at a price equal to 100% of the principal amount plus a make whole premium. From May 1, 2021, the Issuer may redeem all or part of the Existing 2026 Notes at the following repurchase price (expressed as a percentage of the principal amount), plus interest accrued and not paid and any additional amounts, if the redemption occurs during the period of twelve months of May 1 of each year indicated below:

	Repurchase price
Year	**Existing 2026 Dollar Notes**
2021	103.688%
2022	102.458%
2023	101.229%
2024 and thereafter	100.000%

The Existing Notes Indentures, among other things, further limit the ability of the Issuer and the ability of the its restricted subsidiaries to (i) make investments or other restricted payments; (ii) create liens; (iii) sell assets and subsidiary stock; (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (v) engage in certain transactions with affiliates; (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (vii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

Among other exceptions, the Existing Notes Indentures permit the incurrence of indebtedness by the Issuer or a Guarantor of the Existing Notes so long as the consolidated net leverage ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0, and such indebtedness may be secured if the consolidated net leverage ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (*pro forma* for such transaction) and so long as there is no default or event of default outstanding, the Existing Notes Indentures permit the distribution of dividends and other restricted payments in an unlimited amount. Further, subject to certain payment blocking events (i.e., a payment default or acceleration of Existing Notes), the Existing Notes Indentures permit the Issuer to pay dividends or other distributions to its shareholders in an amount such that Altice Lux's pro rata share of such dividends or other distributions is equal to the amount required by Altice Lux for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

The Existing Notes Indentures provide for certain events of default, including, among others, defaults under other debt instruments which (i) are caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period or (ii) result in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The Existing Notes Indentures are governed by the laws of the State of New York.

Existing Term Loans

Overview

On May 8, 2014, the Issuer entered into a senior secured term loan credit facility which provided for euro and U.S. dollar term loans in an initial aggregate principal amounts of €1,900 million and $2,600 million, with the Issuer, Ypso France S.A.S and Numericable U.S. LLC as borrowers (the "**Existing Term Loans Borrowers**"), certain lenders party thereto and Deutsche Bank AG, London Branch as administrative agent and as security agent (as amended, restated, supplemented or otherwise modified from time to time, the "**Existing Term Loans Agreement**").

The following table shows all outstanding tranches of the term loans under the Existing Term Loans Agreement (the "**Existing Term Loans**") and balances outstanding as of March 31, 2018:

	Borrower	Maturity	Original Principal Amount of Drawing		Outstanding At March 31, 2018	
			(in million)			
EUR Term Loan B11	Issuer and Ypso France	July 31, 2025	€	1,145	€	1,136
EUR Term Loan B12	Issuer	January 31, 2026	€	1,000	€	998
USD Term Loan B11	Issuer	July 31, 2025	$	1,420	$	1,409
USD Term Loan B12	Issuer	January 31, 2026	$	2,150	$	2,145

Interest Rate and Fees

Borrowings under USD Term Loan B11 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.00% plus (ii) a margin of 2.75%. Borrowings under USD Term Loan B12 bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question adjusted for certain additional costs, and (b) 0.00% plus (ii) a margin of 3.00%.

Borrowings under EUR Term Loan B11 and EUR Term Loan B12 bear interest at an annual rate equal to (i) the higher rate between (a) the EURIBOR for the period of interest corresponding to the loans in question and (b) 0.00% plus (ii) a margin of 3.00%.

The 2018 Term Loan is expected to bear interest at an annual rate equal to (i) the higher rate between (a) the LIBO rate for the period of interest corresponding to the loans in question and (b) 0.00% plus (ii) a margin of 4.00%.

Mandatory Prepayments

The Existing Term Loans Agreement requires us to prepay outstanding term loans thereunder, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions, and (ii) 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than or equal to 4.0:1.0. We will not be required to make any such prepayments from the proceeds of asset sales made as a consequence of competition laws to the extent that such proceeds do not exceed 2% of the *pro forma* total assets of the Issuer and its Restricted Subsidiaries.

Voluntary Prepayments

The Existing Term Loans may be voluntarily prepaid at any time subject to customary "breakage" costs with respect to Eurodollar Loans.

Amortization and Final Maturity

The Issuer is required to make quarterly repayments of the principal amount outstanding under the Existing Term Loans according to an agreed timetable, with each payment being equal to 0.25% of the principal amount of Existing Term Loans, with payment of the balance due on July 31, 2025 with respect to the USD Term Loan B11 and EUR Term Loan B11, and January 31, 2026 with respect to USD Term Loan B12 and EUR Term Loan B12.

Guarantees

Each Guarantor of the Existing Notes and the Notes, and the Issuer, guarantees or will guarantee on a senior basis, the obligations of each other obligor under the Existing Term Loans Agreement and related finance documents subject to applicable guarantee limitations specified therein. The Issuer is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA and gross assets of the Issuer and its subsidiaries.

Security

The Existing Term Loans are secured by the same Existing Collateral securing the Existing Revolving Credit Facilities, the Existing Notes and that secures the Notes.

Most Favored Nation

Borrowings under EUR Term Loan B12 and the USD Term Loan B12 are subject to a "most favoured nation" provision until October 2018. Accordingly the margin and/or "floor" relating to these tranches are subject to change, depending on the yield applicable to any future incurrence of incremental loans in the relevant currency, including, with respect to USD Term Loan B12, in connection with the 2018 Term Loan.

Certain Covenants and Events of Default

The Existing Term Loans Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net Leverage Ratio or Consolidated Net Senior Secured Leverage Ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances, and (viii) engage in mergers or consolidations.

The Existing Term Loans Agreement also contains certain customary representations and warranties, covenants and events of default (including, among others, an event of default upon a change of control trigger event). If an event of default occurs, the lenders under the Existing Term Loans will be entitled to take various actions, including the acceleration of amounts due under the Existing Term Loans and all actions permitted to be taken by a secured creditor, subject to the Intercreditor Agreement.

The Existing Term Loans Agreement permits the incurrence of indebtedness so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the Consolidated Net Senior Secured Leverage Ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 Consolidated Net Leverage Ratio (*pro forma* for such transactions), so long as there is not a default or an event of default outstanding and so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated

EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Existing Notes until the most recently ended quarter, less 1.4 times the consolidated interest expense for such period, the Existing Term Loans Agreement permits the distribution of dividends and other restricted payments in an unlimited amount.

The Existing Term Loans Agreement also provides that, for so long as no payment block events have occurred and are continuing, the Issuer may pay dividends or other distributions to its shareholders in an amount such that Altice Lux's pro rata share of such dividends or other distributions is equal to the amount required by the Issuer for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

Existing Revolving Credit Facilities

The Issuer entered into a revolving credit facilities agreement (as amended, restated, supplemented or otherwise modified from time to time, the "**Existing Revolving Credit Facilities Agreement**") on May 8, 2014, with, among others, certain lenders party thereto from time to time (the "**RCF Lenders**"), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch as facility agent and as security agent, pursuant to which the RCF Lenders agreed to provide the Issuer and certain of its subsidiaries, including SFR, senior secured revolving credit facilities in the initial aggregate principal amount of €750 million. In 2015, the maximum amount of borrowings available under the Existing Revolving Credit Facilities Agreement was increased to €1,125 million. The available tranches of commitments under the Existing Revolving Credit Facilities Agreement as of March 31, 2018 are (a) the facility C commitment in the original aggregate principal amount of €371 million (the "**Existing Revolving Credit Facility C**") and (b) the facility D commitment in the original aggregate principal amount of €754 million (the "**Existing Revolving Credit Facility D**", and together with the Existing Revolving Credit Facility C, the "**Existing Revolving Credit Facilities**"). As of March 31, 2018, €330 million in the aggregate had been drawn under the Existing Revolving Credit Facilities and €795 million in the aggregate remained available under the Existing Revolving Credit Facilities. The aggregate principal amount of indebtedness outstanding under the Existing Revolving Credit Facilities as of the date of the Offering Memorandum is €225 million. Subject to certain requirements, the Existing Revolving Credit Facilities may be utilized by way of cash drawings and guarantees.

Limitations on Use of Funds

The Existing Revolving Credit Facilities are used by the Issuer and certain of its subsidiaries for general corporate and working capital purposes of the Issuer and its subsidiaries (excluding certain unrestricted subsidiaries) (the "**Borrower Group**").

Conditions to Borrowing

Drawdowns under the Existing Revolving Credit Facilities Agreement are subject to certain customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated net senior secured leverage ratio is not greater than the ratio specified in the Existing Revolving Credit Facilities Agreement.

Incremental Facility

Subject to the satisfaction of certain conditions set out in the Existing Revolving Credit Facilities Agreement, a new commitment lender (selected by the Issuer) may provide new or additional commitments under the Existing Revolving Credit Facilities Agreement.

Interest Periods, Interest Rates and Fees

The Issuer and certain of its subsidiaries are permitted to make a specified number of drawdowns under each of Existing Revolving Credit Facility C and Existing Revolving Credit Facility D for terms of one, two, three or six months (or any other period agreed by the Issuer and the facility agent), but no such period shall end beyond the final maturity date of the Existing Revolving Credit Facilities Agreement. Drawdowns under the Existing Revolving Credit Facilities must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date.

The interest rate on each loan under the Existing Revolving Credit Facilities Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the Existing Revolving Credit Facilities Agreement is 3.25% per annum. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period).

Until one month prior to the final maturity date of the Existing Revolving Credit Facilities Agreement, the Issuer is obligated to pay a commitment fee on the available but undrawn amounts under the Existing Revolving Credit Facilities Agreement at the rate of 40% of the margin calculated on undrawn and un-cancelled commitments.

Repayment

The final maturity date of the Existing Revolving Credit Facility C will be the earlier of (i) November 27, 2019, and (ii) the date on which the Existing Revolving Credit Facility C is fully repaid and cancelled.

The final maturity date of the Existing Revolving Credit Facility D will be the earlier of (i) July 5, 2021, and (ii) the date on which the Existing Revolving Credit Facility D is fully repaid and cancelled.

Automatic Cancellation

Customary partial or total cancellation events apply to the Existing Revolving Credit Facilities Agreement, including where it becomes unlawful for any RCF Lender to fund, issue or maintain its participation in the Existing Revolving Credit Facilities Agreement.

Mandatory Prepayment

Upon the occurrence of a Change of Control Triggering Event, the Issuer and the other borrowers thereunder must repay the Existing Revolving Credit Facilities in full together with accrued interest and all other amounts accrued under related finance documents and the Existing Revolving Credit Facilities Agreement will be cancelled.

Certain excess proceeds received by the Issuer from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Existing Revolving Credit Facilities.

Guarantees

Each of the Guarantors of the Existing Notes and the Existing Term Loans (and that Guarantees the Notes) also guarantee the obligations of each obligor under the Existing Revolving Credit Facilities Agreement and related finance documents subject to applicable guarantee limitations specified therein. The Issuer is required to maintain, on an annual basis, a guarantor coverage test of at least 80% of the consolidated EBITDA and gross assets of the Issuer and its subsidiaries.

Security

The Existing Revolving Credit Facilities Agreement is secured by the Existing Collateral that secures the Existing Term Loans and the Existing Notes and that secures the Notes.

Representations and Warranties

The Existing Revolving Credit Facilities Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Existing Revolving Credit Facilities Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the Existing Notes Indentures.

The Existing Revolving Credit Facilities Agreement also requires the Issuer and the Borrower Group to observe certain general undertakings subject to materiality and other customary and agreed exceptions. These general undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorizations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorization is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) at least *pari passu* ranking of all payment obligations under the Existing Revolving Credit Facilities Agreement and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) maintenance and protection of intellectual property rights; (x) no amendments to constitutional documents that are likely to materially adversely affect the Existing Collateral; (xi) an Obligor not moving its center of main interest from, or having an "establishment" in any jurisdiction other than, its jurisdiction of incorporation; and (xii) restricting the making of proceeds drawn under the Existing Revolving Credit Facilities Agreement to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

The Existing Revolving Credit Facilities Agreement requires the Issuer and the Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio of no more than 4.5 to 1.0 only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the Existing Revolving Credit Facilities Agreement at the end of each financial quarter.

The Existing Revolving Credit Facilities Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, will allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts; and/or (iii) declare that all or part of the loans be repayable on demand. The proceeds of any enforcement of collateral will be applied in accordance with the Intercreditor Agreement.

The Existing Revolving Credit Facilities Agreement permits the incurrence of indebtedness so long as the Consolidated Net Leverage Ratio (*pro forma* for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the Consolidated Net Senior Secured Leverage Ratio (*pro forma* for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 Consolidated Net Leverage Ratio (p*ro forma* for such transactions) and so long as there is no default or event of default outstanding, the Existing Revolving Credit Facilities Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the original issue date of the Existing Notes until the most recently ended quarter, less 1.4 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. The Existing Revolving Credit Facilities Agreement also provides that, for so long as no payment block events have occurred and are continuing, the Issuer may pay dividends or other distributions to its shareholders in an amount such that Altice Lux's pro rata share of such dividends or other distributions is equal to the amount required by the Issuer. for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

Intercreditor Agreement

To establish the relative rights of certain of our creditors, the obligors under the Existing Notes, the Existing Revolving Credit Facilities Agreement, the Existing Term Loans, certain other future indebtedness, including the Notes, and certain counterparties to hedging obligations relating to the foregoing, entered into, and will accede thereto as applicable, an intercreditor agreement (the "**Intercreditor Agreement**"), dated May 8, 2014 with:

- the creditors of the Existing Revolving Credit Facilities (the "**Existing RCF Creditors**");
- the creditors of the Existing Term Loans (the "**Existing TLB Creditors**");
- any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements in accordance with the terms of the Intercreditor Agreement (the "**Hedging Agreements**" and any person that

accedes to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "**Hedging Banks**");

- any persons that accede to the Intercreditor Agreement under any future term facility or revolving credit facilities designated a senior bank facility (a "**Senior Bank Facility**") in accordance with the terms of the Intercreditor Agreement (the "**Future Bank Creditors**", together with the Existing RCF Creditors, the Existing TLB Creditors, the "**Senior Bank Creditors**");

- the trustee for the Existing Notes on its behalf and on behalf of the holders of the Existing Notes (the "**Existing Notes Creditors**");

- upon its accession, the Trustee for the Notes, on its behalf and on behalf of the holders of the Notes (the "**New Notes Creditors**");

- any persons that accede to the Intercreditor Agreement as trustee for any future senior secured notes (the "**Additional Senior Secured Notes**") on its behalf and on behalf of the holders of such senior secured notes (the "**Additional Senior Secured Notes Creditors**" and, together with the New Notes Creditors" and the Existing Notes Creditors, the "**Notes Creditors**", and together with the Senior Bank Creditors and Hedging Banks, the "**Senior Secured Creditors**");

- any persons that accede to the Intercreditor Agreement as trustee for any future senior subordinated notes ("**Senior Subordinated Notes**") or under any future senior subordinated debt facility (together with any Senior Subordinated Notes, the "S**enior Subordinated Debt**"), in each case, on its own behalf and/or on behalf of the holders of such senior subordinated notes or the lenders of such senior subordinated debt facilities, as applicable (the "**Senior Subordinated Creditors**");

- certain intra group creditors (the "**Intercompany Creditors**");

- any persons that accede to the Intercreditor Agreement in their capacity as creditors of any shareholder debt (the "**Shareholders**" and together with Intercompany Creditors, the "**Subordinated Creditors**"); and

- Deutsche Bank AG, London Branch, as security agent for the Senior Secured Creditors (the "**Security Agent**").

The Intercreditor Agreement provides that future indebtedness may be incurred by us and our subsidiaries subject to the terms of the Intercreditor Agreement and each finance document then existing. Any future indebtedness to be designated under the Intercreditor Agreement as ranking in respect of enforcement of the Security in priority to the liabilities owed to the Senior Secured Creditors (the "**Super Priority Debt**") may, however, only be a working capital facility or hedging indebtedness to the extent permitted (or not prohibited) by the terms of each finance document.

For the purposes of the Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent of debt within that class of debt (a "**Representative**") may act on the instructions of the requisite majority of creditors of that class of debt (a "**Relevant Majority**"). Hedging Banks will vote together with the Senior Secured Creditors while any Senior Debt (as defined below) remains outstanding. In addition, in certain circumstances (as set out in the Intercreditor Agreement) certain classes of creditors will vote together as part of an instructing group (the "**Instructing Group**"), which is the Relevant Majority of (i) (if Senior Bank Debt and Hedging Debt has been discharged and while any Senior Secured Notes Debt (each as defined below) remains outstanding) the Senior Secured Notes Creditors, (ii) (while Senior Bank Debt (and/or Hedging Debt) remains outstanding) the Senior Creditors, and (iii) (if the Senior Secured Debt has been discharged and while the Senior Subordinated Notes Debt (each as defined below) remains outstanding) the Senior Subordinated Creditors.

By accepting a Note the relevant Noteholder shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement that relate to the rights and obligations of the Senior Secured Notes Creditors. It does not restate the Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt or capital expenditures.

Ranking and Priority

The Intercreditor Agreement provides, subject to certain provisions, that the liabilities of each issuer, obligor or borrower subject to the Intercreditor Agreement (the "**Obligors**") under or in respect of, amongst others, the Existing Revolving Credit Facilities Agreement (the "RCF Debt"), the Hedging Agreements (the "**Hedging Debt**"), any Senior Bank Facility (the "**Future Bank Debt**"), the Existing Term Loans (the "**TLB Debt**", together with the RCF Debt and any Future Bank Debt, the "**Senior Bank Debt**"), the Existing Notes, any Additional Senior Secured Notes, the Notes (together with the Existing Notes and any Additional Senior Secured Notes, the "**Senior Secured Notes Debt**" and, together with the Hedging Debt and the Senior Bank Debt, the "**Senior Debt**"), the Senior Subordinated Debt (including the Senior Subordinated Notes (the "**Senior Subordinated Notes Debt**" and any other indebtedness designated as Senior Subordinated Debt in accordance with the terms of the Intercreditor Agreement)), liabilities owed by Holdco to any Senior Subordinated Creditor of any Senior Subordinated Notes (the "**Senior Subordinated Notes Issuer Debt**"), liabilities owed by the guarantors of any Senior Subordinated Notes to any Senior Subordinated Creditors of any Senior Subordinated Notes (the "**Senior Subordinated Notes Guarantee Debt**") and certain liabilities of members of the Group owed to Holdco (the "**Holdco Debt**") and certain other liabilities will rank in right and order of payment in the following order:

i. first, the Senior Debt, Senior Subordinated Notes Issuer Debt, and future permitted Senior Debt or Super Priority Debt and amounts due to any Notes Trustee or any security agent, pari passu without any preference among them;

ii. second, the Senior Subordinated Notes Guarantee Debt, Holdco Debt and future permitted Senior Subordinated Debt, pari passu without any preference among them;

iii. third, the intercompany debt, pari passu, without any preference among them; and

iv. fourth, the shareholder debt.

Priority of Security

The Intercreditor Agreement provides that the Security provided by the Obligors (and any other parties) for the Senior Debt and any future permitted Super Priority Debt (together, the "**Senior Secured Debt**"), the Senior Subordinated Debt, the Senior Subordinated Notes Guarantee Debt and the Senior Subordinated Notes Issuer Debt (together with the Senior Secured Debt, the "**Secured Debt**") will rank in the following order:

i. firstly, the Senior Secured Debt (pari passu among such class of debt) and amounts due to the Trustee, pari passu and without any Preference between them); and

ii. secondly, the Senior Subordinated Debt, the Senior Subordinated Notes Guarantee Debt and the Subordinated Notes Issuer Debt.

Restrictions

Subject to certain limited exceptions and subject to, inter alia, the provisions set forth under the captions "—*Permitted Payments*" and "—*Restrictions on Enforcement*", while any Senior Secured Debt is outstanding, the Intercreditor Agreement restricts:

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any debt owed to the Senior Subordinated Creditors, Holdco, and the intercompany creditors and shareholders (the "**Subordinated Debt**"), unless not prohibited by the documents governing the Senior Secured Debt;

- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Debt or the Holdco Debt or any Subordinated Debt, or otherwise to provide financial support in relation to such liabilities, except for any Senior Subordinated Notes Guarantee Debt in connection with any such payment or acquisition of any Senior Subordinated Notes Debt by the issuer of the Senior Subordinated Debt (the "**Senior Subordinated Notes Issuer**").

Limitation of Credit Support

Pursuant to the Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt. The Obligors are also prohibited from granting any security in favor of the Senior Subordinated Debt or the Subordinated Debt except (in respect of the Senior Subordinated Debt) for security that is permitted under documents governing the Senior Secured Debt and given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt, and other security agreed by the Relevant Majority of the Super Priority Creditors (if applicable) and the Relevant Majority of the Senior Bank Creditors and the Relevant Majority of the Senior Subordinated Notes Creditor or otherwise required by the relevant debt documents.

Permitted Payments

The Intercreditor Agreement permits Obligors to pay, inter alia:

1. while Senior Debt is outstanding and prior to the incurrence of any Super Priority Debt or after the discharge of any Super Priority Debt, any amounts payable in respect of such Senior Debt at any time, provided that no such payment may be made by the relevant Obligor or received by a Senior Secured Creditor following the occurrence of an acceleration of any of the Senior Debt, other than any payments distributed in accordance with the terms of the Intercreditor Agreement and as described under "*—Application of Proceeds*";

2. while any Senior Debt is outstanding, any amounts under the intercompany debt and the shareholder debt if:

    a. the payment is permitted or not prohibited under the terms of any documents governing the Senior Secured Debt and/or the Senior Subordinated Notes Debt; and

    b. in relation to an intercompany debt to a non-Obligor and any shareholder debt, no enforcement trigger event is outstanding; or

    c. with the consent of each of:

        i. (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of the Senior Bank Creditors;

        ii. (while any Senior Secured Notes Debt is outstanding and only to the extent prohibited under their respective Indenture (to the extent prohibited by a Senior Secured Notes Designated Debt Document (as defined below)) the Representative representing the Relevant Majority of the Senior Secured Notes Creditors; and

        iii. (while any Senior Subordinated Debt is outstanding), the Representative representing the Relevant Majority of Senior Subordinated Creditors; and

Enforcement Instructions

No Senior Secured Creditor has any independent power to enforce, or have recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by the Representatives of the Instructing Group or by the Relevant Majority of Super Priority Creditors. The Security Agent may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it has not received security and/or indemnity to its satisfaction from the relevant creditors.

Release of Security and Guarantees

If a disposal of an asset owned by an Obligor is made to a person or persons outside the Group and either (i) the disposal is not permitted or prohibited by the underlying finance documents, or (ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the

Intercreditor Agreement (and such disposal is consistent with certain security enforcement principles), or (iii) the disposal is pursuant to enforcement action in accordance with the Intercreditor Agreement the Security Agent is authorized to release any Security and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal applied in accordance with the relevant finance document and with the Intercreditor Agreement.

If shares in an Obligor or its holding company are being disposed of and the Security Agent decides to dispose of all or part of the liabilities of such Obligor, holding company or any subsidiary under the finance documents, the Security Agent may: (i) dispose of all or part of such liabilities such that the transferee shall not be treated as a Senior Secured Creditor or a secured party; and (ii) dispose of all (and not part) of such liabilities owed to the Senior Secured Creditors on behalf of the relevant creditors and Obligors such that the transferee be treated as a Senior Secured Creditor or a secured party.

Turnover

The Intercreditor Agreement provides that if any Senior Secured Creditor or (where applicable as a result of a judicial foreclosure or other similar sale of assets of an Obligor upon enforcement) any special purpose vehicle acquiring or holding assets on behalf of Senior Creditors, Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment of any Senior Secured Debt, Senior Subordinated Debt or Subordinated Debt which is prohibited by the Intercreditor Agreement or not paid in accordance with the provisions described under "—*Application of Proceeds*", subject to certain exceptions, the receiving or recovering creditor will promptly notify the Security Agent and hold any amount on trust for the creditors and, upon demand by the Security Agent, pay that amount to the Security Agent or, if lower, the amount of debt owed to the relevant category of creditor, in each case less the third party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Agent in accordance with the order of priority described under "—Application of Proceeds". These provisions will not apply to any receipt or recovery by the Hedging Banks in relation to certain netting and set-off arrangements with Obligors, permitted refinancing, or otherwise in accordance with the loss sharing provisions of the Intercreditor Agreement.

If the Security Agent is not entitled for reasons of applicable law, to pay any proceeds of enforcement to the relevant Representatives, but can distribute such amounts to Secured Creditors who are subordinated in accordance with the terms of the Intercreditor Agreement, such Secured Creditors shall make such payments as required to place all Secured Creditors in the position they would have been in had such amounts been applied in accordance with the order of priority set out under "—*Application of Proceeds*".

Subordination on Insolvency

After the occurrence of an insolvency event in relation to any Obligor (the "**Insolvent Obligor**"), the shareholder debt and (unless otherwise required by the Representatives of the Instructing Group or the Relevant Majority of Super Priority Creditors) the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Secured Debt owed by such Insolvent Obligor.

If any Obligor commences a case under the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., as amended (the "**U.S. Bankruptcy Code**") (a "**U.S. Insolvency Proceeding**"), the Intercreditor Agreement provides that it shall be effective during the U.S. Insolvency Proceeding of any such Obligor and the relative rights as to the Security and proceeds thereof shall continue on the same basis as prior to the date of the petition. Under any such U.S. Insolvency Proceeding consent for the provision of any debtor-in-possession financing under section 364 of the U.S. Bankruptcy Code that is secured by liens senior to or pari passu with the liens securing the Senior Debt or to the use of cash collateral under section 363 of the U.S. Bankruptcy Code shall only require the consent of the majority of the Senior Creditors. Notwithstanding anything to the contrary in the Intercreditor Agreement, that agreement provides that the parties to the Intercreditor Agreement shall retain all rights to vote to accept or reject any plan of reorganization, composition, arrangement or liquidation in connection with any U.S. Insolvency Proceeding. In the event of a U.S. Insolvency Proceeding, the provisions of the Intercreditor Agreement will be subject to interpretation and enforcement by the United States Bankruptcy Court with jurisdiction over the U.S. Insolvency Proceeding and to the provisions of the U.S. Bankruptcy Code.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of the Representatives of the Instructing Group or the Relevant Majority of Super Priority Creditors) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor (ii) only with respect to shareholder debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor and (iv) receive all payments of or in respect of any debt owed by the Insolvent Obligor for application in accordance with the provisions set forth under "—*Application of Proceeds*." Notwithstanding the foregoing, nothing shall (i) entitle any party to exercise or require any other party to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Senior Subordinated Debt; or (ii) be deemed to require any Senior Subordinated Notes Creditor to hold a meeting or pass any resolution at such meeting or give any consent pursuant to the terms of any finance documents, or (iii) authorize any Super Priority Creditor or Senior Secured Creditor to take any action against the Senior Subordinated Notes Issuer in respect of the Senior Subordinated Notes Debt.

If the Security Agent is not entitled or does not take any of the actions referred to above, the representatives of Senior Subordinated Debt, the Senior Subordinated Creditors and the Subordinated Creditors (i) will each do so promptly when requested by the Security Agent (acting on the instructions of (while Super Priority Debt is outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group subject, in the case of Senior Subordinated Creditors only, to either or both the Super Priority Creditors or the Senior Creditors giving an appropriate indemnity for any costs and expenses which may be reasonably incurred by the Senior Subordinated Creditors and their representative in doing or taking the actions so requested); and (ii) may each do so to the extent permitted as described under "—*Restrictions on Enforcement*."

Application of Proceeds

Subject to the rights of any creditor (other than a Secured Creditor) with prior security or preferential claims, all amounts from time to time received pursuant to the provisions described under "—Turnover" or otherwise recovered by the Security Agent (or any other creditors), (i) pursuant to the terms of any relevant finance document, or (ii) in connection with the realization or enforcement of all or any part of the security in favor of the Senior Secured Debt or Senior Subordinated Debt, the sale of any asset of any Obligor pursuant to an insolvency event or, an enforcement action, judicial supervised or sanctioned reorganization or administrative work-out restructuring or otherwise shall be held by the Security Agent on trust for the Secured Creditors or (in the case of a foreclosure over the assets of any Obligor) for the Secured Creditors in their capacity as holders of the secured assets (each a "Foreclosed Assets Holder") ("Enforcement Proceeds") to apply them at any time as the Security Agent sees fit, and to the extent permitted by law, in the following order:

- first, in payment of the following amounts in the following order of priority: (i) pari passu and pro rata to the Security Agent and thereafter to any Notes Trustee in respect of any amounts due to each such party, and (ii) pari passu and pro rata to each representative of Super Priority Debt (if any), Senior Bank Debt, Senior Secured Notes Debt and Senior Subordinated Debt (if any) of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents or the Intercreditor Agreement;

- second, in payment pari passu and pro rata of the balance of the costs and expenses of each Super Priority Creditor and each Senior Creditor in connection with such enforcement;

- third, in payment pari passu and pro rata to any Foreclosed Assets Holder in an amount equal to the amount of its tax liabilities arising from the relevant foreclosure proceedings and holding of the applicable assets;

- fourth, in payment pari passu and pro rata to the representative of the Super Priority Debt and the Hedging Banks (to the extent any Super Priority Debt may be owed to them) for application towards the balance of the Super Priority Debt (if any);

- fifth, in payment pari passu and pro rata to any Foreclosed Assets Holder which has paid Soulte (being the amount by which the value of the foreclosed assets exceeds the obligations discharged as a result of the foreclosure) in an amount equal to the Soulte paid by it;

- sixth, in payment pari passu and pro rata to each representative of Senior Debt and the Hedging Banks for application towards (i) Senior Bank Debt, (ii) Senior Secured Notes Debt, and (iii) the Hedging Debt;

- seventh, (only to the extent secured) in payment of the balance of the costs and expenses of each Senior Subordinated Creditor in connection with such enforcement;

- eighth, (only to the extent secured) in payment pari passu and pro rata to each Senior Subordinated Creditor towards the balance of the Senior Subordinated Debt;

- ninth, if a foreclosure has occurred whilst no Senior Secured Debt is outstanding, to any Obligor or Subordinated Creditor to which a Soulte has been paid or remains payable, in payment or distribution in an amount equal to such Soulte; and

- tenth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

If the application of any enforcement proceeds or recoveries (the "**Relevant Proceeds**") applied in accordance with the foregoing is made in or towards the discharge of any one or more categories of debt and would result in or have the effect of an unlawful payment or discharge then: (i) those Relevant Proceeds will be applied in or towards the discharge in full only of any such debt (but subject at all times to the other provisions of the Intercreditor Agreement) guaranteed or secured by the rights the enforcement or realization of which gave rise to the Relevant Proceeds; and (ii) those Relevant Proceeds will only be applied in or towards discharge of any such debt the discharge of which would not result in or have the effect of an unlawful payment or discharge, and thereafter as described under "*—Turnover*".

Equalization of the Senior Secured Creditors

The Intercreditor Agreement provides that if prior to the incurrence of any Super Priority Debt or after the discharge of all Super Priority Debt, for any reason, any Senior Debt remains unpaid after the enforcement date and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Secured Creditors at the enforcement date, the Senior Secured Creditors (subject, in the case of amounts owing to the trustees, to the terms of the Intercreditor Agreement) will make such payments amongst themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Amendment

Prior consent of each Representative (other than any Senior Subordinated Representative unless in respect of an amendment, waiver or consent under any security document evidencing Security in favor of the Senior Subordinated Creditors) is required for any waivers, consents, or amendments in relation to any security documents if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of Security is distributed.

The Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Intercreditor Agreement and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Senior Subordinated Creditors, the Super Priority Creditors, the Security Agent and the Issuer), the Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Secured Notes Creditors and the Majority Senior Subordinated Creditors (as each such term is defined in the Intercreditor Agreement), the Issuer and the Security Agent.

Notwithstanding any other provision of the Intercreditor Agreement, if at any time a member of the Group wishes to incur additional debt which is permitted or not prohibited by the Intercreditor Agreement and each other finance document in force at such time, to be incurred and to have the benefit of the Intercreditor

Agreement (including, as applicable, to share in the Security and/or rank behind either or all of the liabilities owed by any Obligor under any finance document (the "**Existing Liabilities**") and/or to share in any Security behind such Existing Liabilities) the Issuer and the Security Agent may enter into such amendments, changes and other modifications (including, but not limited to, providing for the accession of further creditors or their representatives under the Intercreditor Agreement) to the Intercreditor Agreement as may be necessary or appropriate to accommodate the terms of, and (if applicable) any guarantees and any security provided in respect of, any such additional debt so as to ensure that such additional debt may benefit from the Intercreditor Agreement. Such changes shall be binding on all parties to the Intercreditor Agreement (without requiring the consent of any Representative or other party) provided that no additional obligations, other than those set forth in the Intercreditor Agreement, may be imposed on any Representative without its consent. The Security Agent shall promptly provide a copy of any such amendments, changes or other modifications made to the Intercreditor Agreement in accordance to each Representative.

Perpetual Subordinated Notes

In 2006, one of the subsidiaries of the Group, SFR Fibre issued perpetual subordinated notes (the "**Perpetual Subordinated Notes**") for the benefit of Vilorex, a subsidiary of GDF SUEZ. The proceeds of the Perpetual Subordinated Notes have been allocated to the funding of the construction of connectors in cities in the southern part of SIPPEREC (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Perpetual Subordinated Notes bear interest at an annual rate of 7%. The interest on the Perpetual Subordinated Notes is capitalized. As of March 31, 2018, total financial liabilities, excluding interest, under the Perpetual Subordinated notes amounted to €50 million. The Perpetual Subordinated Notes have been issued for an indefinite period and are repayable either in the case of liquidation or dissolution of SFR Fibre, or when SFR Fibre reaches a certain level of turnover generated by the customers covered by the connectors. These trigger thresholds have not been attained since the date of the issuance of Perpetual Subordinated Notes. SFR Fibre may choose to pay in advance all or part of the Perpetual Subordinated Notes upon ten days' notice.

Security Deposits Received from Subscribers

Security deposits received from subscribers amounted to €200 million, €200 million, €188 million and €135 million and as of March 31, 2018, December 31, 2017, 2016 and 2015 respectively. These deposits are made when subscribers receive equipment from the Group. The subscribers' deposits are reimbursed upon cancellation of their subscription, on the condition of subscribers having paid outstanding invoices and returning the equipment. The guarantee deposits are recorded in the balance sheet as long-term debt.

Finance Leases

Several companies of the Group have entered into contracts of finance leases on real estate properties (usually for periods of 20 to 30 years), office equipment (mainly for periods of four years) and technical equipment. All of our lease contracts are denominated in euros. Some real estate leases provide that at the beginning of the rental period annual rents will be fixed but will subsequently become linked to an index based on the rate of inflation (corresponding to a specific percentage increase).

See "*Capitalization*" elsewhere in these Listing Particulars for the commitments of the Group (the current value of minimum rents) under its finance leases.

DESCRIPTION OF NOTES

You will find definitions of certain capitalized terms used in this "Description of Notes" under the heading "Certain Definitions". Certain capitalized terms used in this "Description of Notes" may have different definitions to the same term used in other sections of these Listing Particulars. For purposes of this "Description of Notes", references to the "Issuer" refer only to Altice France S.A.

Altice France S.A., a public limited liability company (*société anonyme*) incorporated in France, previously known as SFR Group S.A. and Numericable—SFR S.A., with registered office at 16, rue du Général Alain de Boissieu, 75015, Paris, France (the "*Issuer*"), is the issuer of the Notes.

The Issuer issued $1,750 million aggregate principal amount of its 8.125% Senior Secured Notes due 2027 (the "*Dollar Notes*") and €1,000 million aggregate principal amount of its 5.875% Senior Secured Notes due 2027 (the "*Euro Notes*" and together with the Dollar Notes, the "*Notes*") under an indenture (the "*Indenture*") between, *inter alios*, itself and Deutsche Bank Trust Company Americas, as trustee (the "*Trustee*") and Deutsche Bank AG, London Branch, as security agent (the "*Security Agent*"). The Notes have been issued in a private transaction that was not subject to the registration requirements of the Securities Act.

The Issuer used the net proceeds of the Notes as described in these Listing Particulars under "*Summary—The Refinancing Transactions*" and "*Use of Proceeds*".

The Indenture is unlimited in aggregate principal amount and (i) $1,750 million aggregate principal amount of Dollar Notes and (ii) €1,000 million aggregate principal amount of Euro Notes issued in the offering. The Issuer may issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the "*Additional Notes*"); *provided, however,* that the Issuer is only permitted to issue the Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Liens*"). Unless the context otherwise requires, in this "*Description of Notes*", references to the "Notes" include the Notes and any Additional Notes that are actually issued. The Indenture is not qualified under, or incorporates by reference any of the provisions of, or is subject to, the U.S. Trust Indenture Act of 1939, as amended.

This "*Description of Notes*" is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture, the forms of Notes, the Intercreditor Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement are available as set forth under "*Available Information*". See the section entitled "*Description of Other Indebtedness—Intercreditor Agreement*" for a summary of certain material terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as the owner of such Note for all purposes. Only registered holders have rights under the Indenture.

General

The Notes

The Notes:

- are general obligations of the Issuer;
- benefit from the security as set forth below under "*—Notes Security*";
- are guaranteed by the Initial Guarantors;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Existing Notes, the Senior Credit Facility, the Revolving Credit Facility and certain Hedging Obligations;

- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;

- are effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and

- are structurally subordinated to the Indebtedness and the other obligations of Subsidiaries of the Issuer that do not Guarantee the Notes.

Principal and Maturity

The Issuer issued $1,750 million aggregate principal amount of Dollar Notes and €1,000 million aggregate principal amount of Euro Notes on the Issue Date. The Dollar Notes mature on February 1, 2027 at which time 100% of the principal amount of the Dollar Notes shall be payable, unless redeemed prior thereto as described herein. The Euro Notes will mature on February 1, 2027 at which time 100% of the principal amount of the Euro Notes shall be payable, unless redeemed prior thereto as described herein.

The Issuer may issue an unlimited principal amount of Additional Notes; provided, however, that the Issuer will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*") and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Liens*"). The Notes issued in the offering and, if issued, any Additional Notes, will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture. However, in order for any Additional Notes to have the same CUSIP number and ISIN as the Notes, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes.

The Dollar Notes have been issued in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof, and the Euro Notes have been issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Dollar Notes accrues at the rate of 8.125% per annum and interest on the Euro Notes accrues at the rate of 5.875% per annum.

Interest on the Notes:

- accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;

- is payable in cash semi-annually in arrears on each August 1 and February 1, commencing on February 1, 2019 ;

- is payable to the holder of record of such Notes on July 15 and January 15 immediately preceding the related interest payment date; and

- is computed on the aggregate nominal amount outstanding on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, accrues at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof is not entitled to payment of the amount due until the next succeeding Business Day at such place, and is not entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) are payable at the specified office or agency of one or more Paying Agents; *provided* that payments on the Dollar Global Notes (as defined below) are made to Cede & Co. as the registered holder of the Global Notes which will, in turn, make such payments to The Depository Trust Company ("*DTC*") or its nominee and payments on the Euro Global Notes (as defined below) will be made to the Paying Agents which, in turn, makes such payments to Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, S.A. ("*Clearstream*").

Principal, interest and premium, if any, on any certificated securities ("*Definitive Registered Notes*") are payable at the specified office or agency of one or more Paying Agents maintained for such purposes in New York, New York and London, United Kingdom. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agents and Registrars for the Notes*".

Paying Agents and Registrars for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in (i) the City of London, United Kingdom (the ‘‘*Euro Paying Agent*’’) and (ii) New York, New York (the ‘‘*U.S. Paying Agent*’’). The initial Euro Paying Agent will be Deutsche Bank AG, London Branch in London and the initial U.S. Paying Agent will be Deutsche Bank Trust Company Americas (collectively with any other paying agents, the "*Paying Agents*").

The Issuer also maintains one or more registrars (each, a "*Registrar*"). The initial Registrar is Deutsche Bank Trust Company Americas (the "*Euro Registrar*" and "*U.S. Registrar*" and, together, the "*Registrars*"). The initial transfer agents is Deutsche Bank AG, London Branch (the "*Euro Transfer Agent*") and Deutsche Bank Trust Company Americas (the "*U.S. Transfer Agent*" and, together with the Euro Transfer Agent, the "*Transfer Agents*" and each a "*Transfer Agent*"). The Registrars maintains a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and facilitates transfers of Definitive Registered Notes on behalf of the Issuer. Each Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes have been issued in the form of several registered notes in global form, without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act have initially been represented by global notes in registered form without interest coupons attached (the "*144A Global Notes*").

- The 144A Global Notes representing the Dollar Notes, (the "*Dollar 144A Global Notes*") have, on the Issue Date, been deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

- The 144A Global Notes representing the Euro Notes (the "*Euro 144A Global Notes*") have, on the Issue Date, been deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- The Notes sold outside the United States pursuant to Regulation S under the Securities Act have initially been represented by a global note in registered form without interest coupons attached (the "*Regulation S Global Notes*" and together with the 144A Global Notes, the "*Global Notes*").

- The Regulation S Global Notes representing the Dollar Notes (the "*Dollar Regulation S Global Notes*") have, on the Issue Date, been deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

- The Regulation S Global Notes representing the Euro Notes (the "*Euro Regulation S Global Notes*") have, on the Issue Date been deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to as the "*Dollar Global Notes*" and the Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to as the "*Euro Global Notes*" herein.

- During the 40-day "distribution compliance period" (as such term is defined in Rule 902 of Regulation S under the Securities Act), the Dollar Regulation S Global Notes have initially been credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the applicable permanent Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.

During the 40-day distribution compliance period, book-entry interests ("*Book-Entry Interests*") in the Regulation S Global Notes may be (1) held only through Euroclear and Clearstream (including, with respect to the Dollar Regulation S Global Notes, as indirect participants in DTC) and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A. After the 40-day distribution compliance period, Book-Entry Interests in the Regulation S Global Notes may also be held through organizations other than Euroclear or Clearstream that are participants in Euroclear, Clearstream or DTC, as applicable. Ownership of interests in the Book-Entry Interests and transfers thereof are subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC are effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the applicable Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the applicable Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of (i) in the case of the Dollar Notes, $200,000 and integral multiples of $1,000 in excess thereof or (ii) in the case of the Euro Notes, €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the relevant Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*".

Subject to the restrictions on transfer referred to above, Dollar Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of $200,000 in principal amount and integral multiples of $1,000 in excess thereof and the Euro Notes issued as Definitive

Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to such holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrars are entitled to treat the registered holder of a Note as the owner of it for all purposes.

The Note Guarantees

General

Subject to the following paragraph, on the Issue Date, the Notes are guaranteed (each such guarantee, an "*Initial Guarantee*") by the Initial Guarantors. Due to certain restrictions under Luxembourg and French laws related to financial assistance and/or corporate benefit, the guarantees of the Guarantors are limited.

Each applicable Note Guarantee of the Notes:

- is a general obligation of the relevant Guarantor;
- ranks *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor's Note Guarantee, including such Guarantor's Guarantee of Indebtedness under the Existing Notes, Senior Credit Facility, the Revolving Credit Facility and certain Hedging Obligations;
- ranks senior in right of payment to all existing and future obligations of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- benefits from the security as set forth below under "*—Notes Security*";
- is effectively subordinated to all existing and future Indebtedness of that Guarantor that is secured by liens on property or assets that do not secure that Guarantor's guarantee, to the extent of the value of the property or assets securing such Indebtedness; and
- is effectively subordinated to the Indebtedness and other obligations of Subsidiaries of the Issuer that do not Guarantee the Notes.

Each Note Guarantee shall be granted on a senior basis for the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes so Guaranteed, whether for payment of principal of or interest on or in respect of such Notes, fees, expenses, indemnification or otherwise, *provided* that the obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance under applicable law, or otherwise to reflect limitations under applicable law or capital maintenance regulations. See "*Risk Factors—Risks Relating to the Notes and the Structure—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions*".

The maximum liability of any Guarantor incorporated in France under its Note Guarantee may be limited as specified in the Indenture in accordance with the requirements under French law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions—France*".

As of March 31, 2018, on an as-adjusted consolidated basis after giving effect to the acquisitions of the FOT Business, Altice Customer Services and Altice Technical Services France, as well as the Refinancing Transactions, including the issuance of the Notes and the application of the proceeds therefrom as described under "*Use of Proceeds*" elsewhere in these Listing Particulars, the Issuer and its Restricted Subsidiaries would have had outstanding €16,821 million equivalent of financial liabilities (excluding certain long term and short term liabilities and without giving effect to the currency impact of certain derivative instruments with respect to the Issuer's existing indebtedness). The Indenture permits the Issuer and the Restricted Subsidiaries to incur additional Indebtedness in the future. For the year ended December 31, 2017, the Issuer and the Initial Guarantors represented 88% of the Issuer's consolidated revenues and 75% of Issuer's consolidated Adjusted EBITDA. As of March 31, 2018 and December 31, 2017, the Issuer and the Initial Guarantors represented 97% and 96% respectively of the Issuer's consolidated total assets.

The Issuer and certain of the Guarantors are holding companies and do not conduct any operations and are wholly dependent on payments from their respective Subsidiaries to meet their obligations, including under the Notes and Note Guarantee to which they are parties. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer and certain Guarantors are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Notes and Guarantees*."

The Notes and the Note Guarantees are effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Subsidiaries of the Issuer that do not Guarantee the Notes. Any right of the Issuer or any Guarantor to receive assets of any of the Subsidiaries of the Issuer that do not Guarantee the Notes upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) is effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinate in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or such Guarantor.

Additional Note Guarantees

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (each, an "*Additional Guarantor*") by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with the Guarantors and each other Additional Guarantor, irrevocably guarantee (each guarantee, an "*Additional Guarantee*") on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Guarantor will be contractually limited under its Additional Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. The maximum liability of any Additional Guarantor incorporated in

France under its Additional Guarantee may be limited as specified in the Indenture in accordance with the requirements under French law. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions—France*". For purposes of the Indenture and this "*Description of Notes*", references to the Note Guarantees include references to the Initial Guarantees and any Additional Guarantees and references to the Guarantors include references to the Initial Guarantors and to any Additional Guarantors.

Releases of the Note Guarantees

The Note Guarantee of a Guarantor terminate automatically:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company of such Guarantor) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

- (i) upon the designation in accordance with the Indenture of that Guarantor as an Unrestricted Subsidiary or (ii) such Guarantor otherwise becomes an Excluded Subsidiary (other than pursuant to clause (1) of the definition thereof);

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

- in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under "—Amendments and Waivers";

- as described under "—Certain Covenants—Additional Guarantors";

- with respect to any Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under "*—Merger and Consolidation—The Guarantors*"; or

- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Trustee and the Security Agent (as applicable) shall each take all necessary actions requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effective without the consent of the Holders or any action on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Notes Security

General

Subject to the Agreed Security Principles:

On the Issue Date, the Notes benefit from the same security that secures any of the Existing Notes and the Senior Credit Facility (either directly or through the Intercreditor Agreement), comprising of:

- senior pledges over all of the capital stock of the Initial Guarantors and certain intercompany loans;

- senior pledges over the business (*fonds de commerce*) of SFR Fibre S.A.S. (formerly known as NC Numericable S.A.S.) and SFR S.A.;

- senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Initial Guarantors; and

- senior pledges over certain bank accounts of, and intercompany receivables owed to, the Issuer (collectively, the "*Notes Collateral*").

None of the network assets of the Issuer or its Subsidiaries have been pledged as security for the Notes.

In the event the Issuer or the relevant grantor of security is required to enter into new Security Documents in order to provide security for its obligations under the Notes or the Note Guarantees, as applicable, as described herein, such Security Documents will be entered into within 20 Business Days after the Issue Date.

The Notes Collateral also secures Indebtedness under the Revolving Credit Facility, the Senior Credit Facility, the Existing Notes, and certain Hedging Obligations. Any other additional security interests that may in the future be granted to secure the obligations under the Notes, the Note Guarantees and the Indenture would also constitute Notes Collateral.

The security interests over the Notes Collateral granted by a Guarantor is subject to the same limitations applicable to the Note Guarantee of such Guarantor. In addition, the security interests over the Notes Collateral will, in some cases, be first-ranking and, in other cases, further-ranking. Pursuant to the terms of the Intercreditor Agreement, the holders of the Notes, the holders of the Existing Notes, the lenders under the Revolving Credit Facility, the lenders under the Senior Credit Facility, and counterparties to certain Hedging Obligations secured on the Notes Collateral will share in recoveries from the enforcement of the security interests over the Notes Collateral on a *pari passu* basis.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Impairment of Security Interests*", the Issuer and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may be secured by the Notes Collateral, including any Additional Notes, certain Indebtedness under Credit Facilities (including revolving credit facility Indebtedness) and Hedging Obligations, in each case, permitted under the Indenture and other Indebtedness of the Issuer and its Subsidiaries.

The proceeds from the sale of the Notes Collateral remaining after sharing with other creditors entitled to share in such proceeds may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Notes Collateral have been made in connection with the offering of Notes. By its nature, some or all of the Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Notes Collateral may not be able to be sold in a short period of time, or at all. In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to release the security interests in some of the Notes Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement*" and "*Risk Factors—Risks Relating to the Notes and the Structure—The value of the Notes Collateral may not be sufficient to satisfy the Issuer's obligations under the Notes and such Notes Collateral may be reduced or diluted under certain circumstances.*"

By accepting a Note, each Holder is deemed to have irrevocably appointed the Security Agent to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents and irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Security Documents

Under the Security Documents, the applicable grantor of security has granted or will grant security over the Notes Collateral to secure the payment when due of the Issuer's and/or the Guarantors' payment obligations under the Notes, the Note Guarantees and/or the Indenture (as applicable). The Security Documents have been or will be entered into by the relevant security provider and the Security Agent as trustee for the secured parties referred to therein. When entering into the Security Documents, the Security Agent will act in its own name, but also (except where the Security Documents only secure the "parallel debt" created under the Intercreditor

Agreement and owed to such Security Agent) as a representative of the secured parties (including the Holders from time to time). Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility, the Senior Credit Facilities, the holders of the Existing Notes, the counterparties under certain Hedging Obligations, and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties.

The Indenture provides that, subject to the terms thereof, and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by the Security Interest in the Notes Collateral, as applicable, that is created by the Security Documents and secures obligations under the Notes, the Note Guarantees and/or the Indenture. Such Security Interests in the Notes Collateral also secure the obligations under the Existing Notes (either directly or by virtue of the Intercreditor Agreement), the Revolving Credit Facility, the Senior Credit Facilities, the counterparties to certain Hedging Obligations and certain other Indebtedness permitted by the Indenture to be Incurred in the future and secured by such Notes Collateral. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Notes Collateral*" below. See "*Risk Factors—Risks Relating to the Notes and the Structure—There are circumstances other than repayment or discharge of the Notes under which the Guarantees and/or Notes Collateral will be released, without your consent or the consent of the Trustee*".

The Security Documents will provide that the rights with respect to the Notes and the related Note Guarantees must be exercised by the Security Agent. Because the Holders will not be a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

In the event that the Issuer or other grantor of a security interest in the Notes Collateral enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Relating to the Notes and the Structure—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interest and Insolvency Laws of Certain Jurisdictions*".

Release of Notes Collateral

The Issuer and the Guarantors are entitled to release the Security Interests in respect of the Notes Collateral securing the Notes, as applicable, and the applicable Note Guarantees under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of the Notes Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", but only in respect of the Notes Collateral sold or otherwise disposed of;

(2) in connection with the release of a Guarantor from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) in accordance with an enforcement sale in compliance with the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described under "—Amendments and Waivers", "—Certain Covenants—Impairment of Security Interests" and the second paragraph under "—Certain Covenants—Limitation on Liens";

(7) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;

(8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the Indenture, the Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) in connection with a transaction permitted by the covenant described below under the caption "—*Certain Covenants—Merger and Consolidation*";

(10) with the consent of holders of at least 75% in aggregate principal amount of Notes secured by (or the Note Guarantees in respect of which are secured by) the Notes Collateral (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, such Notes); or

(11) with respect to any Notes Collateral that is transferred to a Receivables Subsidiary pursuant to a Qualified Receivables Financing, and with respect to any Securitization Asset that is transferred in one or more transactions, to a Receivables Subsidiary pursuant to a Qualified Receivables Financing, but only in respect of the Notes Collateral so transferred.

Upon certification by the Issuer, the Trustee (to the extent action is required by it) and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Agent and the Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

Intercreditor Agreement

On the Issue Date, the Trustee (in its capacity as representative of the holders of the Notes) acceded to the Intercreditor Agreement, which establishes the relative rights of certain creditors of the Group under its financing arrangements, including, without limitation, the holders of the Existing Notes, the lenders under the Revolving Credit Facility, the lenders under the Senior Credit Facility, the counterparties under certain Hedging Obligations secured on the Notes Collateral and the holders of the Notes. Please see "*Description of Other Indebtedness—Intercreditor Agreement*".

Under the terms of the Intercreditor Agreement and subject to its terms, in the event of an enforcement of the Notes Collateral, the holders of the Notes will receive proceeds from the Notes Collateral *pari passu* with the lenders under the Senior Credit Facility, the lenders under the Revolving Credit Facility, the holders of the Existing Notes and counterparties under certain Hedging Obligations.

Additional Intercreditor Agreements; Agreement to Be Bound

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "—*Certain Covenants—Additional Intercreditor Agreements*".

The Indenture provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement and to have authorized the Trustee and the Security Agent to enter into any such Intercreditor Agreement or any such Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Issuer's Subsidiaries are Restricted Subsidiaries. However, in the circumstances described below under "—*Certain Definitions—Unrestricted Subsidiary*", the Issuer is permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries are not subject to many of the restrictive covenants in the Indenture.

Optional Redemption

Except as described below and except as described under "*Redemption for Changes in Withholding Taxes*", the Notes are not redeemable until February 1, 2022. On and after February 1, 2022 the Issuer may redeem all or, from time to time, part of the Dollar Notes and/or Euro Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount of the Dollar Notes and/or Euro Notes, as applicable) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as indicated below:

Year	**Redemption Price**	
	Dollar Notes	**Euro Notes**
February 1, 2022 until August 1, 2022	106.094%	104.406%
August 1, 2022 until August 1, 2023	104.063%	102.938%
August 1, 2023 until August 1, 2024	102.031%	101.469%
August 1, 2024 and thereafter	100.000%	100.000%

Prior to February 1, 2022 the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Dollar Notes and/or up to 40% of the original principal amount of the Euro Notes (including the principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings (i) in the case of the Dollar Notes, at a redemption price of 108.125% of the principal amount of the Dollar Notes, and (ii) in the case of the Euro Notes, at a redemption price of 105.875% of the principal amount of the Euro Notes, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of the Dollar Notes and/or Euro Notes, as applicable, (including the principal amount of any Additional Notes) remains outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time prior to February 1, 2022 the Issuer may also redeem all or, from time to time, part of the Dollar Notes and/or Euro Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

For the avoidance of doubt, in each case above, the Issuer may choose to redeem the Dollar Notes or Euro Notes, either together or separately.

In connection with any tender offer or other offer to purchase (including a Change of Control Offer) for all of the Dollar Notes or Euro Notes, as applicable, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as applicable, validly tender and do not validly withdraw such Dollar Notes or Euro Notes, as applicable, in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Dollar Notes or Euro Notes, as applicable, validly tendered and not validly withdrawn by such Holders, all of the Holders of the Notes will be deemed to have consented to such tender or other offer and, accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' notice following such purchase date, to redeem all Dollar Notes or Euro Notes, as applicable, that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer (other than any incentive payment for early tenders), plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but not including, the repurchase date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as applicable, have validly tendered and not withdrawn Dollar Notes or Euro Notes, as applicable, in a tender offer or other offer to purchase for all of the Dollar Notes or Euro Notes, as applicable, Dollar Notes or Euro Notes, as applicable,owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date.

Any redemption notice given in respect of the redemption of the Notes (including upon an Equity Offering or in connection with a transaction (or series of related transactions) or an event that constitutes a Change of Control) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, the completion or occurrence of the relevant transaction, as the case may be. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied or waived, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date as so delayed, or such notice may be rescinded at any time in the Issuer's discretion if in the good faith judgment of the Issuer any or all of such conditions will not be satisfied. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under the Indenture to be redeemed.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the applicable series of Notes are to be redeemed at any time, Notes for redemption will be selected in accordance with the procedures of DTC, Euroclear or Clearstream, as applicable, or if DTC Euroclear or Clearstream, as applicable, prescribes no method of selection, the Issuer will instruct the relevant Paying Agent or the relevant Registrar to select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, or if the Notes are not so listed or such exchange prescribes no method of selection, based on a method that most nearly approximates a *pro rata* selection or by lot; *provided*, *however*, that no Dollar Note of $200,000 in aggregate principal amount or less shall be redeemed in part and only Dollar Notes in integral multiples of $1,000 will be redeemed and no Euro Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Euro Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee nor the Registrars will be liable for any selections made in accordance with this paragraph.

For so long as the applicable Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will (if such Notes are in certificated form) mail notice of redemption to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. If such Notes are in global form, notice of redemption will be delivered to DTC (in the case of the Dollar Notes) and to Euroclear and Clearstream (in the case of the Euro Notes) for communication to entitled account holders. Such notice of redemption may also be posted on the official website of the Luxembourg Stock Exchange (www.bourse.lu), to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Changes in Withholding Taxes

The Issuer may redeem the applicable series of Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of such series of Notes (which notice will be irrevocable and given in accordance with the procedures described in "—*Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of such Notes, the Issuer or any Guarantor is or would be required to pay Additional Amounts, and (a) the Issuer or the relevant Guarantor cannot avoid such requirement by taking reasonable measures available to it (including the designation of a different Paying Agent), (b) in the case of a Guarantor, such amounts cannot be paid by the Issuer or any other Guarantor who in turn can pay such amounts without the obligation to pay Additional Amounts and (c) the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction (as defined in "—*Withholding Taxes*" below) which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of such Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of such Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that (a) it or the relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or the relevant Guarantor taking reasonable measures available to it and (b) in the case of a Guarantor, the amounts giving rise to such obligation cannot be paid by the Issuer or any other Guarantor without the obligation to pay Additional Amounts.

In the absence of bad faith on its part, the Trustee will accept and shall be entitled to conclusively rely without further inquiry on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the applicable Notes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

Withholding Taxes

All payments made under or with respect to the Notes or any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax ("*Taxes*") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax

purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder or beneficial owner of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), other than connections arising from the holding of such Note or any Note Guarantee, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes or any excise Taxes imposed on transfers;

(4) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(5) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;

(6) all United States federal backup withholding taxes;

(7) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or

(8) any combination of items (1) through (7) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the applicable Note been the holder of such Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder or beneficial owner for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (3) or (5) through (7) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to any Notes or any related Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 10 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 10 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. Such Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the applicable Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes (and any political subdivision or governmental authority thereof or therein having power to tax) and any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes or any Note Guarantee and any political subdivision thereof or therein.

Change of Control

If a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this heading "Change of Control", each Holder has the right to require the Issuer to repurchase all or any part (equal to $200,000 or an integral multiple of $1,000 in excess thereof, in the case of the Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the applicable Notes, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase the Notes as described under this heading, "Change of Control", in the event and to the extent that it has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Dollar Notes held by any holder to below $200,000 or the Euro Notes held by any holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event or, at the Issuer's option, at any time prior to a Change of Control Triggering Event following the public announcement thereof or if a definitive agreement is in place for the Change of Control, the Issuer will send a notice (the "*Change of Control Offer*") to each Holder of any such Notes by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

(1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 10 days from the date such notice is mailed nor later than the later of 60 days from the date such notice is mailed and 60 days after the Change of Control Triggering Event) (the "*Change of Control Payment Date*") and the record date;

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;

(6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event; and

(7) certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules and regulations, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control

Offer may be limited by a number of factors. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indenture) as required by the Indenture*".

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the relevant Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the U.S. Paying Agent (in the case of the Dollar Notes) or the Euro Paying Agent (in the case of the Euro Notes) the applicable Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agents, at the Issuer's expense, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly instruct its authenticating agent to authenticate and, at the Issuer's expense, mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least $200,000 and integral multiples of $1,000 in excess thereof in the case of the Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above are applicable whether or not any other provisions of the Indenture are applicable. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer is not required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not validly withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The provisions of the Indenture do not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with the Issuer's management or its Affiliates or certain other sale transactions, including a takeover, reorganization, recapitalization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its Affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control Triggering Event.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The existing indebtedness of the Issuer or the Restricted Subsidiaries contains, and its respective future indebtedness may also contain, prohibitions of certain events that would constitute a "change of control" thereunder or require such Indebtedness to be repurchased or repaid upon such a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's and its Restricted Subsidiaries' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indenture) as required by the Indenture*".

The definition of "Change of Control" includes a direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)), other than a Permitted Holder. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. Holders of the Notes may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of the Listed Entity's board of directors, including in connection with a proxy contest, where the Listed Entity's board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indenture. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*,

(1) that the Issuer or any Guarantor may Incur Indebtedness if on the date on which such Indebtedness is Incurred, the Consolidated Net Leverage Ratio would have been no greater than 4.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been incurred at the beginning of the relevant period; and

(2) if such Indebtedness is Senior Secured Indebtedness, the Issuer or any Guarantor may incur such Indebtedness so long as the Consolidated Net Senior Secured Leverage Ratio would have been no greater than 3.25 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Indebtedness had been incurred at the beginning of the relevant period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), in a maximum aggregate principal amount at any time outstanding not to exceed the greater of (i) €750 million and (ii) 100% of L2QA Pro Forma EBITDA; *provided* that any Indebtedness Incurred under this clause (1) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent such guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or such Note Guarantee, as applicable, substantially to the same extent as such guaranteed Indebtedness and (ii) if such Guarantee is of Indebtedness of the Issuer or a Guarantor, such Restricted Subsidiary complies with the first paragraph of the covenant described under "—*Additional Guarantors*"; or (b) without limiting the covenant described under "—*Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to the Issuer or any Restricted Subsidiary securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is not prohibited by the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary, or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary; *provided*, *however*, that if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of intercompany current liabilities incurred in connection with cash management positions of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)), expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; *provided* that:

(i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and

(ii) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) issued on the Issue Date and the Note Guarantees thereof and Indebtedness represented by the Existing Notes and the Senior Credit Facility incurred on or prior to the Issue Date and in each case the Guarantees thereof, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date, after giving effect to the Refinancing Transactions, including the issuance of the Notes and the application of the proceeds thereof, (c) Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise Incurred in respect of any, Indebtedness described in sub-clauses (a), (b) or (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and (e) Indebtedness represented by the Security Documents and including, with respect to each such Indebtedness, "parallel debt" obligations created under the Intercreditor Agreement and the Security Documents;

(5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with the Issuer or any Restricted Subsidiary or pursuant to any acquisition of assets and/or assumption of related liabilities by the Issuer or a Restricted Subsidiary (including in contemplation of such transaction) or

(ii) of the Issuer or any Guarantor Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or pursuant to any acquisition of assets and/or assumption of related liabilities by the Issuer or a Restricted Subsidiary or otherwise in connection with or contemplation of such transaction; *provided, however,* with respect to each of clause (5)(i) and (5)(ii), that immediately following the consummation of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to sub-clause (1) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness in an aggregate amount outstanding at any time not to exceed the greater of (i) €300 million and (ii) 150% of the SFR TowerCo EBITDA;

(7) (a) Indebtedness under Currency Agreements (other than Currency Agreements described in (b) below), Interest Rate Agreements and Commodity Hedging Agreements and (b) Indebtedness under Currency Agreements entered into in order to hedge any operating expenses and capital expenditures Incurred in the ordinary course of business; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of the Issuer or the Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(8) Indebtedness consisting of (A) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8) and then outstanding, will not exceed at any time outstanding the greater of €350 million and 9% of L2QA Pro Forma EBITDA; *provided* that any Indebtedness incurred under this clause (8) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(10) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(12) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;

(13) [Reserved];

(14) Indebtedness Incurred by the Issuer or a Guarantor or Disqualified Stock of the Issuer in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer and the Restricted Subsidiaries from the issuance or sale (other than to the Issuer or a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1) and (6) of the second paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer or a Guarantor Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1) and (6) of the second paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" in reliance thereon; provided, that any Indebtedness Incurred under this clause (14) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus, any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(15) [Reserved]; and

(16) Indebtedness Incurred in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed the greater of (i) €400 million and (ii) 50% of L2QA Pro Forma EBITDA; *provided* that any Indebtedness incurred under this clause (16) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that any Indebtedness outstanding on the Issue Date (after giving effect to the Refinancing Transactions) under the Revolving Credit Facility shall not be deemed Incurred on the Issue Date under clause 4(b) of the second paragraph of this covenant;

(2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of the Issuer or a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, or at the option of the Issuer, the date first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, or at the option of the Issuer, the date first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; and (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio to test compliance with any covenant in the Indenture, in determining the amount of

Indebtedness outstanding in euro on any date of determination, with respect to any Indebtedness denominated in a currency other than euro (the "*Foreign Currency*"):

(1) subject to a currency swap arrangement or contract, the aggregate principal amount of such Foreign Currency Indebtedness on any such date of determination shall be the euro amount of the aggregate principal amount to be paid by the Issuer or a Restricted Subsidiary on the maturity date of such currency swap arrangement or contract pursuant to the terms thereof; or

(2) subject to a currency forward arrangement, forward accretion curve or contract, the aggregate principal amount of such Foreign Currency Indebtedness shall be converted into euro at the exchange rate specified under the terms of such currency forward arrangement, forward accretion curve or contract as applicable to such Foreign Currency Indebtedness on such date of determination.

For the avoidance of doubt, notwithstanding a Group member entering into any such arrangement or contract hedging foreign exchange exposure of any Foreign Currency Indebtedness, for the purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio, the aggregate principal amount of Indebtedness subject to any such arrangement or contract shall be attributed to the total Indebtedness of the Person that originally Incurred such Indebtedness.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of this covenant) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms (as determined in good faith by the Issuer); *provided*, *however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of being secured on a junior priority basis, by virtue of not being guaranteed by one or more of the Issuer's Subsidiaries or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Limitation on Restricted Payments

The Issuer will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) except:

   (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

   (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer) any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation,

principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement; and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*");

(4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock) or for options, warrants or other rights to purchase such Capital Stock of the Issuer (other than Disqualified Stock)); or

(5) make any Restricted Investment in any Person; (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Issuer or a Restricted Subsidiary makes such Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) except in the case of a Restricted Investment, the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to sub-clause (1) of the first paragraph of the covenant described under "—*Limitation on Indebtedness*", after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made by the Issuer and the Restricted Subsidiaries subsequent to the Original Notes Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5)(without duplication of amounts paid pursuant to any other clause of the immediately succeeding paragraph), (6), (10), (17) and (18) of the immediately succeeding paragraph, but excluding all other Restricted Payments permitted by the immediately succeeding paragraph) would exceed the sum of (without duplication):

(i) an amount equal to 100% of the Consolidated EBITDA for the period beginning on the first day of the first full fiscal quarter commencing prior to the Original Notes Issue Date to the end of the Issuer's most recently ended full fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available, taken as a single accounting period, less the product of 1.4 times the Consolidated Interest Expense for such period;

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Notes Issue Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph; (y) Net Cash Proceeds received from the Rights Issue and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Original Notes Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph and (y) Excluded Contributions;

(iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of the Restricted Subsidiaries resulting from repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after the Original Notes Issue Date; provided, however, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv);

(v) the amount of the cash and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property, assets or marketable securities received by the Issuer or any Restricted Subsidiary in connection with:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary,

which Unrestricted Subsidiary was designated as such after the Original Notes Issue Date; *provided*, *however*, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v); and

(vi) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the second last paragraph of this covenant) of any property, assets or marketable securities received by the Issuer or Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding any amount of any Investment in such Unrestricted Subsidiary pursuant to clause (16) of the definition of "Permitted Investment", in each case of this clause (vi), which Unrestricted Subsidiary was designated as such after the Original Notes Issue Date; *provided however,* that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (vi); *provided further, however*, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to the Issuer or a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock, Designated Preference Shares, the Rights Issue or through an Excluded Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the second last paragraph of this covenant) of property, assets or marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph and for purposes of the "Optional Redemption" provisions of the Indenture;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above;

(3) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or such Restricted Subsidiary, and (b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case under (a) and (b), is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above, and that in each case (other than such sale of Preferred Stock of the Issuer that is not Disqualified Stock) constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (or any loans, advances, dividends or other distributions by the Issuer to any Parent to permit such Parent to purchase, repurchase, redeem, defease or otherwise acquire or retire Indebtedness of any Parent so long as the Net Cash Proceeds (or a portion thereof) of such Indebtedness has been received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Notes Issue Date):

(a) (i) from Net Available Cash to the extent permitted under "—*Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "—*Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness or making any such loans, advances, dividends or other distributions to any Parent and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness or such Indebtedness of any Parent plus accrued and unpaid interest (and costs, expenses and fees incurred in connection therewith); or

(b) to the extent required by the agreement governing such Subordinated Indebtedness or such Indebtedness of any Parent, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if required, if the Issuer shall have first complied with the terms described under "Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness or making any such loans, advances, dividends or other distributions to any Parent and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness or such Indebtedness of any Parent plus accrued and unpaid interest (and costs, expenses and fees incurred in connection therewith); or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and at a purchase price not greater than 100% of the principal amount of such Acquired Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness (and costs, expenses and fees incurred in connection therewith);

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €40 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate unused amounts carried over in any calendar year do not exceed €40 million in any calendar year), *plus* (2) the Net Cash Proceeds received by the Issuer or the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph of this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "—*Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication) the amounts required for any Parent to pay:

(a) any Parent Expenses or any Related Taxes; and

(b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2) (with respect to fees and expenses incurred in connection with the transactions described therein), (5) and (11) of the second paragraph under "—*Limitation on Affiliate Transactions;*"

(10) Restricted Payments by or on behalf of SFR TowerCo not to exceed, in any calendar year, an amount equal to €40 million (with unused amounts in any calendar year being carried over to the succeeding calendar years);

(11) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the fair market value of Excluded Contributions or Restricted Payments in exchange for or using as consideration Restricted Payments previously made under this clause (12);

(13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(14) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(15) so long as no Payment Block Event has occurred and is continuing, Restricted Payments (a) by the Issuer to a Parent and/or its shareholders in an amount such that Altice France Holdco's pro rata share of such dividends or other distributions is equal to the amount required by Altice Luxembourg S.A. for the payment of regularly scheduled interest as such amounts come due under the Altice Luxembourg S.A. Notes and the Altice Luxembourg S.A. Revolving Credit Facility and (b) in an amount required by any Parent to pay interest and/or principal (including AHYDO Catch Up Payments) on Indebtedness of any such Parent so long as the Net Cash Proceeds (or a portion thereof) of such Indebtedness have been received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Notes Issue Date; *provided* that the principal amount of any Indebtedness able to be repaid pursuant to this clause (b) is limited to the amount of Net Cash Proceeds received by the Issuer plus fees and expenses relating to the refinancing of such Indebtedness and, in the case of each of (a) and (b) above, such Restricted Payments with respect to any Indebtedness incurred to refinance or replace, or issued in exchange for, such Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, plus, any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;

(16) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Original Notes Issue Date; *provided, however*, that the amount of all dividends declared or paid by the Issuer pursuant to this clause (16) shall not exceed the Net Cash Proceeds received by the Issuer from the issuance or sale of such Designated Preference Shares;

(17) so long as no Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment to the extent that, after giving *pro forma* effect to any such Restricted Payment, the Consolidated Net Leverage Ratio would be no greater than 4.0 to 1.0;

(18) so long as no Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (i) €810 million and (ii) 21% of L2QA Pro Forma EBITDA;

(19) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of the Perpetual Subordinated Notes (including any capitalized interest) to the extent such purchase, repurchase, redemption, defeasance or other acquisition or retirement is required by the terms of the Perpetual Subordinated Notes;

(20) Restricted Payments to finance Investments or other acquisitions by a Parent or any Affiliate which would be otherwise permitted to be made pursuant to this covenant *"—Limitation on Restricted Payments*" if made by the Issuer or a Restricted Subsidiary; provided, that (i) such Restricted Payment shall be made substantially concurrently with the closing of such Investment or other acquisition, (ii) such Parent or Affiliate of the Issuer shall, promptly following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the Issuer or one of its Restricted Subsidiaries or (2) the merger, amalgamation, consolidation, or sale of the Person formed or acquired into the Issuer or one of its Restricted Subsidiaries (in a manner not prohibited by the covenant described under *"—Merger and Consolidation*") in order to consummate such Investment or other acquisition, (iii) such Parent or Affiliate of the Issuer receives no consideration or other payment in connection with such transaction except to the extent the Issuer or a Restricted Subsidiary could have given such consideration or made such payment in compliance with this covenant "*—Limitation on Restricted Payments*" and (iv) any property received in connection with such transaction shall not

constitute an Excluded Contribution up to the amount of such Restricted Payment made under this clause (20);

(21) any payments in cash or in kind relating to the settlement of any future, forward or other derivative contract entered into for non speculative purposes; and

(22) the declaration and payment of dividends or distributions by the Issuer to, or the making of loans to, a Parent in amounts required for a Parent to pay or cause to be paid, in each case without duplication, fees and expenses related to any equity or debt offering (whether or not successful) of such Parent.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment or any other property, assets or securities required to be valued by this covenant shall be determined conclusively by an Officer or the Board of Directors of the Issuer acting in good faith.

For purposes of determining compliance with this covenant and the definition of "Permitted Investments", as applicable, in the event that a Restricted Payment or a Permitted Investment meets the criteria of more than one of the categories described in clauses (1) through (22) above, or, in the definition of "Permitted Investments," as applicable, or is permitted pursuant to the first paragraph of this covenant, the Issuer will be entitled to classify such Restricted Payment (or portion thereof) or such Permitted Investment (or portion thereof) on the date of its payment or later reclassify such Restricted Payment (or portion thereof) or such Permitted Investment (or portion thereof) in any manner that complies with this covenant.

Limitation on Liens

The Issuer will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of their property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Notes Collateral, (i) Permitted Liens or (ii) Liens on assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured; and (b) in the case of any property or assets that constitutes Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(ii) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Notes Security—Release of Notes Collateral*."

For purposes of determining compliance with this covenant, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens or Permitted Collateral Liens, as applicable, but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens or Permitted Collateral Liens, as applicable, the Issuer shall, in its sole discretion, divide, classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with this covenant and the definition of "Permitted Liens" or "Permitted Collateral Liens", as applicable.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to the Issuer or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary, or any requirement that such loans or advances made to the Issuer or any Restricted Subsidiary cannot be secured, shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to any Credit Facility or any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Issuer);

(2) [Reserved];

(3) encumbrances or restrictions existing under or by reason of the Indenture, the Notes, the Existing Indentures, the Existing Notes, the Note Guarantees, the Revolving Credit Facility, the Senior Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which (i) such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (in each case, other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (4), if another Person is the Successor Company (as defined under "*—Merger and Consolidation*") or any Subsidiary thereof, any agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(5) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clause (1), (3) or (4) of this paragraph or this clause (5) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (3) or (4) of this paragraph or this clause (5); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

(6) any encumbrance or restriction:

(a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements;

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary; or

(d) pursuant to the terms of any license, authorization, concession or permit;

(7) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(8) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(9) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(10) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, governmental license or order, or required by any regulatory authority or stock exchange;

(11) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(12) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Senior Credit Facility, or the Revolving Credit Facility on the Issue Date, together with the security documents associated therewith, if any, and the Intercreditor Agreement, as in effect on or immediately prior to the Issue Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions (x) will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes as and when they become due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

(14) any encumbrance or restrictions arising in connection with any Purchase Money Note, other Indebtedness or a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(15) any encumbrance or restriction existing by reason of any Lien permitted under "—*Limitation on Liens*".

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or

otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by an Officer or the Board of Directors of the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition or such series of related Asset Dispositions (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness), together with all other Asset Dispositions since the Issue Date (except to the extent any such Asset Disposition was a Permitted Asset Swap) on a cumulative basis, received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Issuer or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of the Issuer or such Restricted Subsidiary):

(a) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash (i) to prepay, repay, purchase or redeem any Indebtedness incurred under clause (1) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*"; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in clause (a)(i) above, to prepay, repay, purchase or redeem any Pari Passu Indebtedness of the Issuer or a Guarantor that is secured in whole or in part by a Lien on the Notes Collateral (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement), which Lien ranks *pari passu* with the Liens securing the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer or such Guarantor, as applicable, shall prepay, redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Issuer or such Guarantor purchases through open market purchases at a price equal to or higher than 100% of the principal amount thereof, or makes an offer to the holders of the Notes to purchase their Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) for, in each case, an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); (iv) to purchase the Notes through open market purchases at a price equal to or higher than 100% of the principal amount thereof, or make an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (v) to redeem the Notes as described under "—*Optional Redemption*";

(b) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment or commitment to invest is consummated within 180 days of such 365th day;

(c) to make a capital expenditure within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however,* that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or

(d) any combination of the foregoing,

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €100 million, the Issuer will be required within ten (10) Business Days thereof to make an offer (an "*Asset Disposition Offer*") to all holders of Notes and, to the extent the Issuer or a Guarantor elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and (i) in the case of the Dollar Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof and (i) in the case of the Euro Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below $200,000 in the case of the Dollar Notes and to below €100,000 in the case of the Euro Notes.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer and the Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement or such shorter period of time required to comply with Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the Asset Disposition Offer (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of $200,000 and in integral multiples of $1,000 in excess thereof in the case of the Dollar Notes, and €100,000 principal amount and integral multiples of €1,000 in excess thereof, in the case of the Euro Notes. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agents, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will, via an authenticating agent, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of $200,000 in the case of the Dollar Notes, and €100,000, in the case of the Euro Notes. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee (or other extinguishment in connection with the transactions relating to such Asset Dispositions) of Indebtedness and any other liabilities (as recorded on the balance sheet of the Issuer or any Restricted Subsidiary or in the footnotes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been reflected on the Issuer's or such Restricted Subsidiary's balance sheet or in the footnotes thereof if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by the Issuer) of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition, to the extent of the cash received;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary (as applicable) are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer or a Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €190 million and 5% of L2QA Pro Forma EBITDA (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received or, at the Issuer's option, at the time of contractually agreeing to such Asset Disposition, and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €50 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate, or, if there are no comparable transactions involving non-Affiliates to apply for comparative purposes, the transaction is otherwise on terms that, taken as a whole, the Issuer has conclusively determined in good faith to be fair to the Issuer or such Restricted Subsidiary; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €100 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; *provided* that an Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this clause (2) of this paragraph if either (x) such Affiliate Transaction is approved by a majority of the Disinterested Directors or (y) if the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on arm's length basis.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b) of the second paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) or (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among the Issuer, Restricted Subsidiaries or any Receivables Subsidiary;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Refinancing Transactions and the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these

agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time (including, without limitation, to add additional Persons in connection with any such Person becoming a Restricted Subsidiary) in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services and Associates, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) without duplication in respect of payments made pursuant to the definition of Parent Expenses, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed an amount equal to the greater of €20 million or 1.5% of L2QA Pro Forma EBITDA per year; (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures with the approval of the Board of Directors of the Issuer (acting in good faith); and (c) payments of all fees and expenses related to the Refinancing Transactions;

(12) any transaction effected as part of a Qualified Receivables Financing and other Investments in a Receivables Subsidiary consisting of cash or Securitization Assets;

(13) any participation in a rights offer or public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer;

(14) transactions between the Issuer or any Restricted Subsidiary and any other Person that would constitute an Affiliate Transaction solely because a director of such other Person is also a director of the Issuer or any Parent; *provided, however*, that such director abstains from voting as a director of the Issuer or such Parent, as the case may be, at any board meeting approving such transaction on any matter including such other Person;

(15) payments to and from, and transactions with, any joint ventures entered into in the ordinary course of business or consistent with past practices (including, without limitation, any cash management activities related thereto); and

(16) commercial contracts (including franchising agreements, business services related agreements or other similar arrangements) between an Affiliate of the Issuer and the Issuer or any Restricted Subsidiary that are on arm's length terms or on a basis that senior management of the Issuer reasonably believes allocates costs fairly.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as the Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange and thereafter use its best efforts to maintain, a listing of the Notes on another recognized stock exchange.

Reports

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2018, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the most recent fiscal year (and comparative information as of the end of the prior fiscal year) and audited consolidated income statements and statements of cash flow of the Issuer for the most recent fiscal year (and comparative information as of the end of the prior fiscal year), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for (i) any acquisition or disposition by the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred during the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of the Issuer on a *pro forma* consolidated basis or (ii) recapitalizations by the Issuer or a Restricted Subsidiary, in each case, that have occurred during the most recently completed fiscal year (unless such *pro forma* information has been provided in a prior report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense and in the case *pro forma* financial information is not provided, the Issuer will provide, in the case of a material acquisition, financial statements of the acquired company for the most recent fiscal year, and in the case of a material disposition, financial statements of the business or assets comprising the disposition perimeter for the most recent fiscal year which, in each case, may be unaudited; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments (to the extent not previously reported pursuant to clause (2) or (3) below).

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2018, all quarterly reports of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow for the most recent quarter year-to-date period ending on the date of the unaudited condensed balance sheet, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any acquisition or disposition by the Issuer or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred during the relevant quarter, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of the Issuer on a *pro forma* consolidated basis

(unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below), *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense and in the case *pro forma* financial information is not provided, the Issuer will provide, in the case of a material acquisition, financial statements of the acquired company for the most recent fiscal year, and in the case of a material disposition, financial statements of the business or assets comprising the disposition perimeter for the most recent fiscal year which, in each case, may be unaudited; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, Consolidated EBITDA and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments (to the extent not previously reported pursuant to clause (3) below); and

(3) promptly after the occurrence of such event, information with respect to (a) any change in the independent public accountants of the Issuer, (b) any material acquisition, disposal, merger or similar transaction or (c) any development determined by an Officer of the Issuer to be material to the business of the Issuer and its Restricted Subsidiaries (taken as a whole).

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph by delivering the corresponding annual and quarterly reports of a Parent; provided that to the extent that the Issuer is not the reporting entity and material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Issuer or such Parent as applicable, the annual and quarterly reports shall give a reasonably detailed description of such differences or include either (x) an unaudited reconciliation of the Issuer's consolidated financial statements to such Parent's consolidated financial statements, as applicable or (y) the consolidated balance sheet, income statement and cash flow statement at the Issuer and its Subsidiaries.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in these Listing Particulars and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time if any Subsidiary of the Issuer is an Unrestricted Subsidiary and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the first paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) of the first paragraph of this covenant, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or any Parent or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that such reports cannot be made available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, at the Issuer's registered office or, to the extent and in the manner permitted by such rules and regulations, post such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other parties' compliance with any of its covenants in the Indenture (as to which the Trustee will be entitled to rely exclusively on Officer's Certificates that are delivered).

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") (if not the Issuer) will be a Person organized and existing under the laws of any member state of the European Union as of the Issue Date or the date on which such Person becomes the Successor Company, United Kingdom, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to each Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement and the Security Documents (or, subject to the covenant under "—*Impairment of Security Interests*" provide a Lien of at least equivalent ranking over the same assets), as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable two consecutive fiscal quarter period, either (a) the Issuer or the Successor Company would have been able to Incur at least an additional €1.00 of Indebtedness pursuant to sub-clause (1) of the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence in which the Issuer is the Successor Company), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer; and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary or the Issuer. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the first paragraph of this covenant, the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "Merger and Consolidation" covenant) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

The Guarantors

None of the Guarantors (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it;

unless:

(A) the other Person is the Issuer or Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction; or

(B)

(1) either (x) a Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement and Security Documents, as applicable; and

(2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B) (2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor or the Issuer and (b) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor or the Issuer. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor reincorporating the Guarantor in another jurisdiction, or changing the legal form of the Guarantor.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Lines of Business

The Issuer will not and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Similar Business, except to such extent as would not be material to the Issuer and the Restricted Subsidiaries, taken as a whole.

Additional Guarantors

The Issuer will not permit any of its Restricted Subsidiaries (other than a Guarantor) to, Guarantee any Indebtedness of the Issuer or any Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*") unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided*, this covenant will not be applicable to any Guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

Note Guarantees existing on or granted after the Issue Date pursuant to this covenant shall be released as set forth under "—*Releases of the Note Guarantees*". In addition, Note Guarantees existing on or granted after the Issue Date pursuant to the first paragraph of this covenant may be released at the option of the Issuer, if, at the date of such release, (i) the Indebtedness which required such Note Guarantee has been released or discharged in full, (ii) no Event of Default would arise as a result of such release, and (iii) there is no other Indebtedness of such Guarantor outstanding that was Incurred after the Issue Date and that could not have been Incurred in compliance with the Indenture as of the date Incurred if such Guarantor were not a Guarantor as at that date. Notwithstanding anything in the Indenture to the contrary, the Issuer may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to be a Guarantor to become a Guarantor and such Note Guarantee may be released at any time in the Issuer's sole discretion. The Trustee and the Security Agent (to the extent action is required by it) shall each take all necessary actions requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause (a) an Excluded Subsidiary to provide a Note Guarantee (for so long as such entity is an Excluded Subsidiary) or (b) any Restricted Subsidiary to provide a Note Guarantee to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from Incurring such Guarantee by the terms of any Indebtedness existing on the Issue Date (or, with respect to any Subsidiary acquired by the Issuer or a Restricted Subsidiary after the Issue Date, on the date such Subsidiary is so acquired) (or any Refinancing Indebtedness in respect thereof) of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary); provided that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, any series of Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Trustee of these events and beginning on that day and continuing until such time, if any, at which the applicable series of Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to such series of Notes: "*—Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*" and "*—Impairment of Security Interests*", the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*", and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*".

On and after each Reversion Date, the Issuer and its Subsidiaries will be permitted to perform under, or consummate the transactions contemplated by, any contract entered into during the period of time between the Suspension Event and the Reversion Date (the "*Suspension Period*"), so long as such contract and such consummation would have been permitted during such Suspension Period.

The Issuer shall give the Trustee written notice of any Covenant Suspension Event and in any event not later than five (5) Business Days after such Covenant Suspension Event has occurred. The Issuer shall give the Trustee written notice of any occurrence of a Reversion Date not later than five (5) Business Days after such Reversion Date.

Impairment of Security Interests

The Issuer shall not and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Notes Collateral (it being understood that subject to the next succeeding paragraph, the Incurrence of Permitted Collateral Liens, shall under no circumstances be deemed to materially impair the security interest with respect to the Notes Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent (or its delegate), for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien over any of the Notes Collateral; *provided*, that, subject to the next succeeding paragraph, (x) the Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (y) the Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents and (z) the Issuer and the Restricted Subsidiaries may consummate any other transaction permitted under "*—Merger and Consolidation*".

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Security Interest in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement transactions permitted under "—*Merger and Consolidation*;" (iv) add to the Notes Collateral; (v) provide for the release of any security interest on any properties and assets constituting Notes Collateral from the Lien of the Security Documents, provided that such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the Notes or any Note Guarantee; (vi) make any other change thereto that does not adversely affect the Holders in any material respect (it being understood that such restatement, amendment or other modification to provide for subordinated security interests will be deemed not to adversely affect the Holders) or (vii) subject to compliance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable, increase the amounts and types of Indebtedness covered by such Security Document; *provided, however,* that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v) and (vi), the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that the Issuer and the Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Payments for Consents

The Issuer will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union), which the Issuer in its sole discretion determine (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Additional Intercreditor Agreements

The Indenture provides that, at the request of the Issuer, and without the consent of Holders, in connection with the Incurrence by the Issuer or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the covenant described under "—*Certain Covenants—Limitation on Liens*", the Issuer or Restricted Subsidiary, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Liens over the Notes Collateral (or terms not materially less favorable to the Holders, it being understood that such restatement, amendment or other modification to provide for subordinated security interests will be deemed not to be materially less favorable to the Holders); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing, any such Additional Intercreditor Agreement may provide for *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the covenant described under "—*Certain Covenants—Limitation on Liens*").

The Indenture also provides that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure Additional Notes, (6) implement any Liens permitted by the covenant described under "—*Certain Covenants—Limitation on Liens*", (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof, (8) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement any transaction that is subject to the covenants described under the caption "—*Merger and Consolidation*", or (9) implement any transaction in connection with the renewal extension, refinancing, replacement or increase of Indebtedness that is not prohibited by the Indenture or make any other change to any such agreement that does not adversely affect the Holders in any material respect; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Note Guarantee, enforcement of Liens over the Notes Collateral, the application of proceeds from the enforcement of Notes Collateral or the release of any Note Guarantees or Notes Collateral in a manner than would adversely affect the rights of the Holders in any material respect except as otherwise permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "Amendments and Waivers", and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture also provides that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, at the request of the Issuer, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "—*Limitation on Restricted Payments*".

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

Limited Condition Acquisition and Irrevocable Repayment

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreements or irrevocable notice for such Limited

Condition Acquisition or Irrevocable Repayment are entered into or have been delivered, as applicable. For the avoidance of doubt, if the Issuer has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the definitive agreements or irrevocable notice for the applicable Limited Condition Acquisition or Irrevocable Repayment were entered into or have been delivered, as applicable, and prior to the consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment for purposes of:

(1) determining compliance with any provision of the Indenture which requires the calculation of the Consolidated Net Senior Secured Leverage Ratio or Consolidated Net Leverage Ratio; or

(2) testing baskets set forth in the Indenture (including baskets measured as a percentage of L2QA Pro Forma EBITDA);

in each case, at the option of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Acquisition or Irrevocable Repayment, an "*LCA Election*"), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreements or irrevocable notice for such Limited Condition Acquisition or Irrevocable Repayment are entered into or have been delivered, as applicable (the "*LCA Test Date*"). If, after giving *pro forma* effect to the Limited Condition Acquisition or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent two consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Issuer are available, the Issuer could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If the Issuer has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in L2QA Pro Forma EBITDA of the Issuer or the Person subject to such Limited Condition Acquisition or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Issuer has made an LCA Election for any Limited Condition Acquisition or Irrevocable Repayment, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Issuer or the designation of an Unrestricted Subsidiary or the making of Investments or Restricted Payments on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition or Irrevocable Repayment is consummated or the definitive agreement for such Limited Condition Acquisition or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such ratio or basket shall be calculated on a *pro forma* basis assuming such Limited Condition Acquisition or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any Restricted Subsidiary to comply for 30 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with any of its obligations

under the covenants described under "*Change of Control*" above or under the covenants described under "—*Certain Covenants*" above (in each case, other than a failure to purchase such Notes, which will constitute an Event of Default under clause (2) above);

(4) failure by the Issuer, any Restricted Subsidiary or any other grantor of a Lien over the Notes Collateral to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is Guaranteed by the Issuer or any Restricted Subsidiary) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by the failure to pay principal of such Indebtedness at the Stated Maturity thereof (after giving effect to any applicable grace periods provided in such Indebtedness) ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross-acceleration provision*"),

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;

(6) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25 million, exclusive of any amounts that a solvent insurance company has acknowledged liability for, which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(8) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Notes Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "*security default provisions*"); and

(9) any Note Guarantee by a Guarantor that is a Significant Subsidiary or any group of Guarantors that taken together would constitute a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days after the notice specified in the Indenture (the "*guarantee provisions*").

However, a default under clauses (3), (4), (5), (7), (8) or (9) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5), (7), (8) and (9) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7), (8) or (9), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all such Notes to be due and payable immediately. The Trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee, and the Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (on behalf of the Holders) or of exercising any trust or power conferred on the Trustee (on behalf of the Holders).

The Indenture provides that, in the event an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. Such Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture provides that if a Default occurs and is continuing and a Responsible Officer of the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture provides that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (such other default, an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—Reports" or otherwise to deliver any notice or certificate pursuant to any other provision of this Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders of such Notes to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided*, however that if any amendment, waiver or other modification will only affect the Dollar Notes or the Euro Notes only the consent of the holders of at least a majority in principal amount of the then outstanding Dollar Notes or Euro Notes (and not the consent of at least a majority of all Notes then outstanding), as the case may be, shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), (*provided*, however that if any amendment, waiver or other modification will only affect the Dollar Notes or Euro Notes of such series only the consent of the holders of at least 90% of the aggregate principal amount of the then outstanding Dollar Notes or Euro Notes, as the case may be, shall be required (and not the consent of at least 90% of the aggregate principal amount of all Notes then outstanding)), an amendment, supplement or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver, supplement or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*");

(3) reduce the principal of, or extend the Stated Maturity of, any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "*—Optional Redemption*" (other than, for the

avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*");

(5) make any Note payable in money other than that stated in the Note (except to the extent the currency stated in the Notes has been succeeded or replaced pursuant to applicable law);

(6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of an interest or Additional Amounts, if any, on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture to such Notes described under "Withholding Taxes" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of Notes and a waiver of the payment default that resulted from such acceleration); or

(9) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

In addition, (A) without the consent of at least 75% in aggregate principal amount of Notes then outstanding (*provided*, *however*, that if any amendment, waiver or other modification will only affect the Dollar Notes or the Euro Notes only the consent of the holders of at least 75% of the aggregate principal amount of the then outstanding Dollar Notes or the Euro Notes, as the case may be (and not the consent of at least 75% of the aggregate principal amount of all Notes of such series then outstanding) will be required), no amendment, supplement or waiver may, with respect to any Notes held by a non-consenting Holder: (1) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or (2) release any of the security interests granted for the benefit of the Holders in the Notes Collateral (to the extent any Notes Collateral so released in any transactions or series of transactions has a fair market value in excess of €25 million) other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Indenture.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights or benefits to the Trustee or any of Holders in any material respect under Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes Incurred in accordance with the terms of the Indenture;

(6) to provide for a Restricted Subsidiary to provide a Note Guarantee in accordance with the Indenture, to add Guarantees with respect to the Notes (including any provisions relating to the release or limitations of such Additional Guarantees), to add security to or for the benefit of the Notes, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Notes Collateral and the Security Documents) or any amendment in respect thereof with

respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Note Guarantees, the Security Documents or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document; or

(9) as provided in "—Certain Covenants—Additional Intercreditor Agreements" and "—Certain Covenants–Impairment of Security Interests".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel as set forth in the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For the purpose of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the Issue Date.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange.

Acts by Holders

Except as otherwise provided under "—*Optional Redemption*", in determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the right to receive payment, defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders of the Notes under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under "—*Certain Covenants*" and "*Change of Control*" and the default provisions relating to such covenants described under "—*Events of Default*" above (other than with respect to clauses (1) and (2) of the first paragraph of the covenant described under "—*Certain Covenants—Merger and Consolidation—The Issuer*"), the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "—*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the first paragraph of the covenant described under "—*Certain Covenants—Merger and Consolidation—The Issuer*"), (4), (5), (6), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or an entity designated or appointed as agent by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel (subject to customary exceptions and exclusions) from United States counsel to the effect that Holders or beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel from United States counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders of Notes under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the relevant Paying Agent for cancellation; or (b) all Notes not previously delivered to the relevant Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or an entity designated or appointed as agent by it for this purpose), cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) and cash in euro or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes), in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to apply the deposited money toward payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate to the effect that all conditions precedent under the “Satisfaction and Discharge” section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Listing and General Information

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Issuer’s annual audited consolidated financial statements, the Issuer’s unaudited consolidated interim quarterly financial statements and these Listing Particulars may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

Available Information

Any Holder of the Notes or holder of a beneficial interest in the Notes, following the Issue Date, may obtain a copy of the Indenture, the form of such Notes, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer, 16, rue du Général Alain de Boissieu, 75015, Paris, France, Attention: Chief Financial Officer.

Concerning the Trustee and Certain Agents

Deutsche Bank Trust Company Americas is Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which the Trustee has been notified in accordance with the provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture is not construed as an obligation or duty.

The Issuer shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee and the Paying Agents and the Registrars will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification and/or security of the Trustee by the Issuer and the Guarantors for any loss, liability, taxes or expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of the Notes are validly given if mailed or delivered to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, notices with respect to such Notes will be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

For Notes which are represented by global certificates held on behalf of DTC, Euroclear or Clearstream, as applicable, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Dollar Notes and Note Guarantees thereof is U.S. dollars and the Euro Notes and Note Guarantees thereof is euro, including damages. Any amount received or recovered in a currency other than U.S. dollars or euro, as applicable, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the U.S. dollar amount or euro amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount or euro amount is less than the U.S. dollar amount or euro amount, as applicable, expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer’s and the Guarantors’ other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Note Guarantees, the Issuer and each Guarantor, in the Indenture, appoints Numericable US LLC as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder are governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder is governed by and construed in accordance with the laws of England and Wales. The Security Documents shall be governed by and construed in accordance with the laws of France and the Grand Duchy of Luxembourg, as applicable.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Subject to "*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*", Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) not classified as current assets under IFRS used or to be used by the Issuer or a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of an Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means principles set forth in Annex IV of the Senior Credit Facility, which shall be attached as a schedule to the Indenture.

"AHYDO Catch Up Payment" means any payment on any Indebtedness that would be necessary to avoid such Indebtedness being characterized as an "*applicable high yield discount obligation*" under Section 163(i) of the Code.

"*Altice France Holdco*" refers to Altice Luxembourg FR S.A. a public limited liability company (*société anonyme*) with registered office at 3, Boulevard Royal, L 2449 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 135296.

"*Altice Luxembourg S.A.*" refers to Altice Luxembourg S.A. a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg with registered office at 3, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B.197134.

"*Altice Luxembourg S.A. Notes*" refers to Altice Luxembourg S.A.'s senior notes due 2022 issued on May 8, 2014 .

"*Altice Luxembourg S.A. Revolving Credit Facility*" refers to the revolving facility agreement, dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified or replaced from time to time, among Altice Luxembourg S.A. as initial borrower, the lenders from time to time party thereto, and the facility agent and security agent (as each are defined therein).

"*Applicable Premium*" means:

(1) with respect to any Dollar Note the greater of:

(A) 1% of the principal amount of such Dollar Note; and

(B) the excess (to the extent positive) of:

(i) the present value at such redemption date of (i) the redemption price of such Dollar Note at February 1, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the "*—Optional Redemption*" section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Dollar Note to and including February 1, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date (or, if greater than such Treasury Rate, zero) plus 50 basis points; over

(ii) the outstanding principal amount of such Dollar Note,

(2) with respect to any Euro Note the greater of:

(A) 1% of the principal amount of such Euro Note; and

(B) the excess (to the extent positive) of:

(i) the present value at such redemption date of (i) the redemption price of such Euro Note at February 1, 2022 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the "*—Optional Redemption*" section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Euro Note to and including February 1, 2022 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (or, if greater than such Bund Rate, zero) plus 50 basis points; over

(ii) the outstanding principal amount of such Euro Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or Paying Agents.

"*Asset Disposition*" means, with respect to the Issuer and the Restricted Subsidiaries, any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by the Issuer or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, transfer, issuance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "Change of Control" and/or the provisions described above under the caption "*—Certain Covenants—Merger and Consolidation*" and not by the provisions described under the caption "*—Certain Covenants—Limitation on*

Sales of Assets and Subsidiary Stock". Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business (as determined in good faith by the Issuer) of the Issuer and its Restricted Subsidiaries;

(5) transactions permitted under "—*Certain Covenants—Merger and Consolidation*" (other than as permitted under clause (C) of the first paragraph under "—*Certain Covenants—Merger and Consolidation—The Guarantors*") or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(7) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) not to exceed the greater of (i) €270 million and (ii) 7.0% of L2QA Pro Forma EBITDA;

(8) (i) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*", any transaction specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment or (ii) solely for the purposes of the second paragraph under "—*Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock*", a disposition, the proceeds of which are used to make such Restricted Payments permitted to be made under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*", Permitted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "—*Certain Covenants—Limitation on Liens*";

(10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables or related assets in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of tax receivables and factoring accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales, transfers or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business and Investments in Receivables Subsidiaries consisting of cash or Securitization Assets;

(15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however,* that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and the Restricted Subsidiaries (considered as a whole);

(19) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; *provided* that network assets of the Issuer or any Restricted Subsidiary shall be excluded from this clause (19) unless the Net Cash Proceeds of such sale and leaseback transaction are applied in accordance with the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(20) any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets (including Capital Stock) of the Issuer and its Subsidiaries or of any Person that becomes a Restricted Subsidiary (i) acquired in a transaction permitted under the Indenture, which assets are not used or useful in the core or principal business of the Issuer and its Restricted Subsidiaries, or (ii) made in connection with the approval of any applicable antitrust authority or pursuant to Competition Laws or otherwise necessary or advisable in the good faith determination of the Issuer to consummate any acquisition permitted under the Indenture;

(21) dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property that is purchased within 270 days thereof or (ii) an amount equal to the Net Available Cash of such disposition is promptly applied to the purchase price of such replacement property (which replacement property is purchased within 270 days thereof);

(22) the lapse, abandonment or other disposition of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Issuer are no longer commercially reasonable to maintain or are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;

(23) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions in connection with the Refinancing Transactions or the Towers Transaction;

(24) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements; and

(25) contractual arrangements under long-term contracts with customers entered into by the Issuer or a Restricted Subsidiary in the ordinary course of business which are treated as sales for accounting purposes; provided that there is no transfer of title in connection with such contractual arrangement.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or a Restricted Subsidiary are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Issuer or any Restricted Subsidiary.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval) provided that any action required to be taken under the Indenture by the Board of Directors of the Issuer can, in the alternative, at the option of the Issuer, be taken by the Board of Directors of the Listed Entity or any Subsidiary thereof that is a Parent of the Issuer.

"*Bund Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(1) "*Comparable German Bund Issue*" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to February 1, 2022 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro- denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to February 1, 2022; *provided, however*, that, if the period from such redemption dated to February 1, 2022 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to February 1, 2022 is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Paris, France or New York, New York, United States are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States Government, Canada, the United Kingdom, Switzerland or any member state of the European Union, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by a bank or trust company (a) whose commercial paper is rated at least "A-1 "or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that such bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, the United Kingdom, Switzerland, Canada, any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland or the United Kingdom eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means:

(1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (or a group controlled by one or more Permitted Holders) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer (or any Successor Company), measured by voting power rather than number of shares;

(2) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors on the Board of Directors of the Listed Entity (together with any new directors whose election by the majority of such directors on such Board of Directors of the Listed Entity or whose nomination for election by shareholders of the Listed Entity, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Listed Entity then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors on the Board of Directors of the Listed Entity, then in office; or

(3) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer (or any Successor Company) and its Restricted Subsidiaries, taken as a whole, to a Person (including any "person" as defined above), other than a Permitted Holder (or a group controlled by one or more Permitted Holders).

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline with respect to the Notes.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Competition Laws*" means any federal, state, foreign, multinational or supranational antitrust, competition or trade regulation statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition or effectuating foreign investment.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense and Receivables Fees;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization and impairment expense;

(5) Parent Expenses;

(6) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Refinancing Transactions and the Towers Transaction), in each case, as determined in good faith by the Issuer;

(7) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(8) the amount of management, monitoring, consultancy and advisory fees and related expenses or any payments for financial advisory, financing, underwriting or placement services or any payments pursuant to franchising agreements, business service related agreements or other similar arrangements paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*"; *provided* that any payments for such fees and related expense shall not be included in Consolidated EBITDA for any period to the extent they were accrued for in such period or any prior period and added back to Consolidated EBITDA in such period or any such prior period; and

(9) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other non-cash items classified by the Issuer as special items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of the Issuer and the Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and the Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;

(3) non-cash interest expense;

(4) dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer;

(5) the consolidated interest expense that was capitalized during such period;

(6) net payments and receipts (if any) pursuant to Hedging Obligations (other than Currency Agreements) (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations (other than Currency Agreements));

(7) any interest actually paid by the Issuer or any Restricted Subsidiary on Indebtedness of another Person that is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on assets of the Issuer or any Restricted Subsidiary; and

(8) premiums, penalties, annual agency fees, penalties for failure to comply with registration obligations (if applicable) and any amendment fees, in each case, related to any Indebtedness of the Issuer or any Restricted Subsidiaries.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to a Qualified Receivables Financing, (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, (iv) net payments and receipts (if any) pursuant to Currency Agreements (including unrealized mark to market gains and losses attributable to Hedging Obligations), and (v) any pension liability interest costs.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and the Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary that is not a Guarantor if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes, the Indenture, the Senior Credit Facility, the Existing Indentures, the Existing Notes, the Revolving Credit Facility, the Intercreditor Agreement and any Additional Intercreditor Agreement, (c) contractual or legal restrictions in effect on the Issue Date with respect to a Restricted Subsidiary, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions as in effect on the Issue Date specified in clause (12) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiary (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer of the Issuer) or returned surplus assets or any pension plan;

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves, gains or other costs related to the Refinancing Transactions, and, to the extent not otherwise included in this clause (4): recruiting, retention and relocation costs; signing bonuses and related expenses and one time compensation charges; curtailments or modifications to pension and post-retirement employee benefit plans transaction and refinancing bonuses and special bonuses paid in connection with dividends and distributions to equity holders; start up, transition, strategic initiative (including any multi year strategic initiative) and integration costs, charges or expenses; costs, charges and expenses related to the start up, pre opening, opening, closure, and/or consolidation of operations, offices and facilities; business optimization costs, charges or expenses; costs, charges and expenses incurred in connection with new product design, development and introductions; costs and expenses incurred in connection with intellectual property development and new systems design; costs and expenses incurred in connection with implementation, replacement, development or upgrade of operational, reporting and information technology systems and technology initiatives; any costs, expenses or charges relating to any governmental investigation or any litigation or other dispute (including with any customer); costs and expenses in respect of warranty payments and liabilities related to product recalls or field service campaigns; or any fees, charges, losses, costs and expenses incurred during such period, or any amortization thereof for such period, in connection with or related to any acquisition, Restricted Payment, Investment, recapitalization, asset sale, issuance, incurrence, registration or repayment or modification of Indebtedness, issuance or offering of Capital Stock,

refinancing transaction or amendment, modification or waiver in respect of the documentation relating to any such transaction and any charges or non recurring merger costs incurred during such period as a result of any such transaction;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;

(9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off; and

(13) the impact of capitalized, accrued or accreting or pay-in- kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means (A) the sum, without duplication, of the aggregate outstanding Senior Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", any Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"), less (B) the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) L2QA Pro Forma EBITDA; *provided*, *however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

For the avoidance of doubt, in determining Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made.

"*Consolidated Net Senior Secured Leverage*" means (A) the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding (i) Hedging Obligations and (ii) Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under

"*—Certain Covenants—Limitation on Indebtedness*"), less (B) the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis.

"*Consolidated Net Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Senior Secured Leverage at such date to (y) L2QA Pro Forma EBITDA; *provided, however*, that the *pro forma* calculation of the Consolidated Net Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption "*—Certain Covenants—Limitation on Indebtedness*".

For the avoidance of doubt, in determining Consolidated Net Senior Secured Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Senior Secured Leverage Ratio is to be made.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds, note purchase agreements or indentures or commercial paper facilities and overdraft facilities (including the Senior Credit Facility and the Revolving Credit Facility) with banks, institutions, funds or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, bonds, debentures letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, institutions or investors and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, cap, floor, ceiling, collar, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”.

“*Designated Preference Shares*” means, with respect to the Issuer, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under “*—Certain Covenants—Limitation on Restricted Payments*”.

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case, on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “*—Certain Covenants—Limitation on Restricted Payments*”.

“*Equity Offering*” means a public or private sale of (x) Capital Stock of the Issuer or (y) Capital Stock or other securities of a Parent or an Affiliate, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than:

(1) Disqualified Stock;

(2) Designated Preference Shares;

(3) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;

(4) any such sale to the Issuer or a Restricted Subsidiary; and

(5) any such sale that constitutes an Excluded Contribution.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*euro*" or "*€*" means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro ("*Other Currency*"), at any time of determination thereof by the Issuer or the Trustee, the amount of euros obtained by converting such Other Currency involved in such computation into euros at the spot rate for the purchase of euros with the Other Currency as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Monetary Union as of the date of the Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; provided that such member state has a long-term government debt rating of "A1" or higher by Moody's or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds and the fair market value (as determined in good faith by the Issuer) of marketable securities or property or assets (including Capital Stock) received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Original Notes Issue Date or from the issuance or sale (other than to the Issuer, a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*Excluded Subsidiary*" means (1) any Subsidiary that is not a Wholly Owned Subsidiary of the Issuer, (2) any Subsidiary, including any regulated entity that is subject to net worth or net capital or similar capital and surplus restrictions, that is prohibited or restricted by applicable law, accounting policies or by contractual obligation existing on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements (or, with respect to any Subsidiary acquired by the Issuer or a Restricted Subsidiary after the Issue Date (and so long as such contractual obligation was not incurred in contemplation of such acquisition), on the date such Subsidiary is so acquired) from providing a Guarantee, or if such Guarantee would require governmental (including regulatory) or third party consent, approval, license or authorization, (3) any special purpose securitization vehicle (or similar entity), including any Receivables Subsidiary, (4) any not for profit Subsidiary, (5) any other Subsidiary with respect to which, in the reasonable judgment of the Issuer, the burden or cost (including any adverse tax consequences) of providing the Guarantee will outweigh the benefits to be obtained by the Holders therefrom and (6) each Unrestricted Subsidiary; provided, that any such Subsidiary that is an Excluded Subsidiary pursuant to clause (5) above shall cease to be an Excluded Subsidiary at any time such Subsidiary guarantees Indebtedness of the Issuer or any other Guarantor.

"*Existing Indentures*" means the indentures governing the Existing Notes each as may be amended or supplemented from time to time.

"*Existing Notes*" means (i) the €1,000,000,000 aggregate principal amount of the Issuer's 5 ⅜% Senior Secured Notes due 2022, (ii) the $4,000,000,000 aggregate principal amount of the Issuer's 6% Senior Secured Notes due 2022, (iii) the €1,250,000,000 aggregate principal amount of the Issuer's 5 ⅝% Senior Secured Notes due

2024, (iv) the $1,375,000,000 aggregate principal amount of the Issuer’s 6 ¼% Senior Secured Notes due 2024 and (v) the $5,190,000,000 aggregate principal amount of the Issuer’s 7 ⅜% Senior Secured Notes due 2026.

“*fair market value*” wherever such term is used in the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Group*” means the Issuer and its Restricted Subsidiaries.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

provided, *however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business or any guarantee of performance. The term “Guarantee” used as a verb has a corresponding meaning.

“*Guarantor*” means each Person that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as a guarantor of the Notes and its respective successors and assigns, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture (including the Initial Guarantors and the Additional Guarantors (if any)).

“ *Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Notes are registered.

“*IFRS*” means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on September 30, 2017, or, with respect to the covenant described under the caption “Reports” as in effect from time to time, *provided* that at any date after the Issue Date, the Issuer may make an irrevocable election to establish that “IFRS” shall mean IFRS as in effect on a date that is on or prior to the date of such election (except with respect to the covenant described under the caption “Reports”). The Issuer shall give notice of any such election to the Trustee and the holders of the Notes.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that other than in the case of any action being taken in connection with a Limited Condition Acquisition or an Irrevocable Repayment, which shall be governed by the provisions of “*—Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*”, (1) any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by the Issuer or such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “*Incurred*” and “*Incurrence*” have meanings correlative to the foregoing and (2) any Indebtedness pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder; *provided further* that the Issuer in its sole discretion may elect that (x) any Indebtedness or portion thereof pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall be deemed to be “Incurred” at the time of entry into the definitive agreements or commitments in relation to any such facility and/or (y) any Indebtedness the proceeds of which are cash-collateralized shall be deemed to be “Incurred” at the time such proceeds are no longer cash-collateralized.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(5) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(6) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(7) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease or any Operating IRU), concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations, (vi) receivables sold or discounted, whether recourse or non recourse, including, for the avoidance of doubt, any obligations under or in respect of Qualified Receivables Financing (including, without limitation, guarantees by a Receivables Subsidiary of the obligations of another Receivables Subsidiary and any indebtedness in respect of Limited Recourse), (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the Incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (x) any obligations to pay the deferred and unpaid purchase price for assets acquired or services supplied or otherwise owed to the Person (or assignee thereof) from whom such assets are acquired or who supplies such services in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied, (xi) any payroll accruals, (xii) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with a transaction where (A) such Indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such Indebtedness. For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses and trade payables and any obligations under guarantees issued in connection with various operating and telecommunication licenses.

Subject to "*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*", the amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (5), (6) or (7) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(ii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness;

(iv) Capitalized Lease Obligations; or

(v) franchise and performance surety bonds or guarantees.

"*Indenture*" means the indenture dated as of the Issue Date, as amended, among, *inter alios*, the Issuer, as issuer, the Initial Guarantors and the Trustee, governing the Notes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Guarantors*" means the Guarantors under any of the Existing Indentures, as of the Issue Date.

"*Intercreditor Agreement*" means the intercreditor agreement dated as of May 8, 2014 and made between (among others) the Issuer, the Guarantors, the Security Agent, the Facility Agent (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the trustees under the Existing Indentures, as amended.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the third paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "—*Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however,* that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by an Officer or the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer (or if earlier at the time of entering into an agreement to sell such property), in each case as determined in good faith by an Officer or the Board of Directors of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by the United Kingdom, a member state of the European Union, Switzerland, or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*Investor*" means Altice Europe N.V. (or any of its successors) and the ultimate controlling shareholder of Altice Europe N.V. on the Issue Date.

"*Investor Affiliate*" means (i) the Investor or any of his immediate family members, and any such persons' respective Affiliates and direct and indirect Subsidiaries, (ii) any sponsor, limited partnerships or entities managed or controlled by the Investor or any of his immediate family, or any of such persons' respective Affiliates and direct or indirect Subsidiaries, (iii) any trust of the Investor or any of his immediate family, or any of such persons' respective Affiliates and direct or indirect Subsidiaries or any trust in respect of which any such persons is a trustee, (iv) any partnership of which the Investor or any of his immediate family, or any of such persons' respective Affiliates or direct or indirect Subsidiaries is a partner that is managed or controlled by the Investor, any of his immediate family or any of such persons' respective Affiliates or direct or indirect

Subsidiaries, and (v) any trust, fund or other entity which is managed by, or is under the control of, the Investor or any of his immediate family, or any of such persons' respective Affiliates or direct or indirect Subsidiaries, but excluding the Issuer or any of its Subsidiaries.

"*Irrevocable Repayment*" means any repayment, repurchase, redemption or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"*Issue Date*" means July 31, 2018.

"*Issuer*" means Altice France S.A., a French public limited liability company (*société anonyme*) with registered office at 16, rue du Général Alain de Boissieu, 75015, Paris, France.

"*L2QA Pro Forma EBITDA*" means as of any date of determination, Pro Forma EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available multiplied by 2.0.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any Investment or acquisition by one or more of the Issuer and its Restricted Subsidiaries of any assets, business or Person whose consummation is not conditioned on the availability of, or on obtaining, third party financing.

"*Limited Recourse*" means a letter of credit, revolving loan commitment, cash collateral account, guarantee or other credit enhancement issued by the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) in connection with the incurrence of Indebtedness by a Receivables Subsidiary under a Qualified Receivables Financing; *provided* that, the aggregate amount of such letter of credit reimbursement obligations and the aggregate available amount of such revolving loan commitments, cash collateral accounts, guarantees or other such credit enhancements of the Issuer and its Restricted Subsidiaries (other than a Receivables Subsidiary) shall not exceed 25% of the principal amount of such Indebtedness at any time.

"*Listed Entity*" means Altice Europe N.V. (or any of its successors).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such Person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Restricted Subsidiaries or any Parent (i) not to exceed an amount (net of repayments of any such loans or advances) equal to €20 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Management Advances made under this sub-clause (b)(i) do not exceed €40 million in any fiscal year) or (ii) with the approval of the Board of Directors of the Issuer;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €20 million in the aggregate outstanding at any time.

"*Management Investors*" means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the Beneficial Owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" shall have the same meaning as used in Section 3(a)(62) of the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against (a) any liabilities associated with the assets disposed in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition; or (b) any purchase price adjustment or earn-out in connection with such Asset Disposition.

"*Net Cash Proceeds*" means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, any Incurrence of any Indebtedness or any sale of any asset, the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"Note Guarantee" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Notes Collateral*" has the meaning given to such term under "*Notes Security—General*".

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the applicable Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means the Offering Memorandum in relation to the Notes dated July 17, 2018.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Operating IRU*" means an indefeasible right of use of, or operating lease or payable for lit or unlit fiber optic cable or telecommunications conduit or the use of either.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee, which opinion may contain customary assumptions and qualifications. The counsel may be an employee of or counsel to any Parent, the Issuer or any of their Subsidiaries.

"*Original Notes Issue Date*" means May 8, 2014.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of a Parent (excluding principal and interest under any such agreement or instrument relating to obligations of the Parent), the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to a Parent, the Issuer or their respective Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to a Parent, the Issuer or their respective Subsidiaries and reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(4) fees and expenses payable by any Parent in connection with the Refinancing Transactions and the Towers Transaction;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries including acquisitions or dispositions by the Issuer or a Subsidiary permitted hereunder (whether or not successful), in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such Parent or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing Transactions, or the ownership, directly or indirectly, by the Parent of Capital Stock or Subordinated Shareholder Funding of the Issuer;

(6) any fees and expenses required to maintain any Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent;

(7) to reimburse out-of-pocket expenses of the Board of Directors of any Parent and payment of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;

(8) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Refinancing Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €10 million in any fiscal year;

(9) any Public Offering Expenses;

(10) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business; and

(11) franchise, excise and similar taxes and other fees, taxes and expenses, in each case, required for the Issuer to maintain its operations and paid by the Parent.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee of the Notes.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Payment Block Event*" means: (1) any Event of Default described in clause (1) or (2) of the first paragraph under "*—Events of Default*" has occurred and is continuing; (2) any Event of Default described in clause (6) under "*—Events of Default*" has occurred and is continuing; and (3) any other Event of Default has occurred and is continuing and the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes have declared all the Notes to be due and payable immediately (and such acceleration has not been rescinded). No Payment Block Event shall be deemed to have occurred unless the Trustee has delivered notice of the occurrence of such Payment Block Event to the Issuer.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Permitted Collateral Liens*" means:

(1) Liens on the Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) (but in the case of clause (28), excluding any Additional Notes) of the definition of "Permitted Liens";

(2) Liens on the Notes Collateral to secure (a) Indebtedness that is permitted to be Incurred under sub-clause (2) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", (b) Indebtedness that is permitted to be Incurred under clauses (1), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Notes Collateral and specified in this definition of Permitted Collateral Liens), (4)(a), (5) (so long as, in the case of clause (5), on the date of Incurrence of such Indebtedness and after giving effect thereto on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, either (x) the Consolidated Net Senior Secured Leverage Ratio is no greater than 3.25 to 1.0 or (y) the Consolidated Net Senior Secured Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness), (7)(b), (14) (so long as, in the case of clause (14), on the date of Incurrence of Indebtedness pursuant to such clause (14) and after giving effect thereto on a pro forma basis (including a pro forma application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, the Consolidated Net Senior Secured Leverage Ratio is no greater than 3.25 to 1.0) and clause (16) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a) or (b), *provided, however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the Notes and the Note Guarantees (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement); (ii) in each case, all property and assets (including, without limitation, the Notes Collateral) securing such Indebtedness also secure the Notes or the Note Guarantees on a senior or *pari passu* basis (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement but no such Indebtedness shall have priority to the Notes over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral)); and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(3) Liens on any Senior Notes Proceeds Loans that secures Indebtedness of a Senior Notes Issuer (and Guarantees thereof) that is permitted to be Incurred under the covenants described under "*—Certain Covenants—Limitation on Indebtedness*", provided that, in the case of this clause (3), (x) the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional

Intercreditor Agreement and (y) such Liens shall rank junior to the Liens securing the Notes and the Note Guarantees.

"*Permitted Holders*" means, collectively, (1) the Investor, (2) Investor Affiliates and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of the Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) any Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary (including obligations of trade creditors and customers), or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or in compromise or resolution of any litigation, arbitration or other dispute;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and other Investments resulting from the disposition of assets in transactions excluded from the definition of "Asset Disposition" pursuant to the exclusions from such definition;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any modification, replacement, renewal or extension thereof; provided that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted by the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred pursuant to clause (7) of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—*Certain Covenants—Limitation on Liens*";

(12) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(14) Guarantees not prohibited by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(15) Investments in the Notes, any Additional Notes, the Existing Notes, the Term Loans or other Pari Passu Indebtedness of the Issuer or a Guarantor;

(16) (a) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "—*Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and (b) Investments of a Restricted Subsidiary existing on the date such Person becomes a Restricted Subsidiary to the extent that such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary;

(17) Investments, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €390 million and 10% of L2QA Pro Forma EBITDA plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section *"—Certain Covenants—Limitation on Restricted Payments*"); *provided*, that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(18) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of €390 million and 10% of L2QA Pro Forma EBITDA at the time of such Investment plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section *"—Certain Covenants—Limitation on Restricted Payments*") (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(19) Investments by the Issuer or a Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Financing, *provided, however*, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Financing or any such Person owning such Receivables; and

(20) Investments of all or a portion of the Escrowed Proceeds permitted under the relevant escrow agreement.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary or another Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements and including Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) (a) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business and (b) Liens in connection with cash management programs established in the ordinary course of business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and the Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default and notices of *lis pendens* and associated rights so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order, award or notice have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary (including Capital Stock) for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture (excluding Indebtedness Incurred pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*") and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on or provided for or required to be granted under written agreements existing on the Issue Date after giving effect to the Refinancing Transactions, including the issuance of the Notes and the application of the proceeds thereof;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, *further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;

(22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(23) bankers' Liens, Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business of such Person to facilitate the purchase, shipment or storage of such inventory or other goods and Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, and pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(25) Permitted Collateral Liens;

(26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(27) any security granted over Cash Equivalents in connection with the disposal thereof to a third party and Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or similar provisions as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(29) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(30) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of €135 million and 3.5% of L2QA Pro Forma EBITDA;

(31) Liens consisting of any right of set-off granted to any financial institution acting as a lockbox bank in connection with a Qualified Receivables Financing;

(32) Liens for the purpose of perfecting the ownership interests of a purchaser of Receivables and related assets pursuant to any Qualified Receivables Financing;

(33) cash deposits or other Liens for the purpose of securing Limited Recourse;

(34) Liens arising in connection with other sales of Receivables permitted hereunder without recourse to the Issuer or any of its Restricted Subsidiaries;

(35) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(36) Liens (a) on any cash earnest money deposits or cash advances made by the Issuer or any of the Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted under the Indenture, or (b) on other cash advances in favor of the seller of any property to be acquired in an Investment or other acquisition permitted hereunder to be applied against the purchase price for such Investment or other acquisition;

(37) Liens or rights of set off against credit balances of the Issuer or any of the Restricted Subsidiaries with credit card issuers or credit card processors or amounts owing by such credit card issuers or credit card processors to the Issuer or any Restricted Subsidiaries in the ordinary course of business to secure the obligations of the Issuer or any Restricted Subsidiary to the credit card issuers or credit card processors as a result of fees and charges; and

(38) customary Liens of an indenture trustee on money or property held or collected by it to secure fees, expenses and indemnities owing to it by any obligor under an indenture.

"*Perpetual Subordinated Notes*" means the €24.4 million principal amount (excluding capitalized interest) of perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Pro forma EBITDA*" means, for any period, the Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, *provided* that for the purposes of calculating Pro forma EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate Pro forma EBITDA is such a Sale, Pro forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, a Parent, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Pro forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Pro forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income, Consolidated Net Senior Secured Leverage Ratio and Consolidated Net Senior Leverage Ratio (a) whenever *pro forma* effect is to be given to any transaction (including, without limitation, transactions listed in clauses (1)-(3) hereof) or calculation hereunder or such other definitions, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer or an Officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)) (calculated on a *pro forma* basis as though such expense and cost reductions and synergies had been realized on the first day of the period for which Pro forma EBITDA is being determined and as though such cost savings, operating expense reductions and synergies were realized during the entirety of such period), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Public Offering Expenses*" means expenses Incurred by any Parent in connection with any Public Offering or any offering of Public Debt (whether or not successful):

(1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary;

(2) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or

(3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

"*Purchase*" is defined in the definition of "Pro Forma EBITDA".

"*Purchase Money Note*" means a promissory note of a Receivables Subsidiary evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Financing with a Receivables Subsidiary, which deferred purchase price or line is repayable from cash available to the Receivables Subsidiary, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Notes in lieu of the ratings by Moody's or S&P.

"*Rating Date*" means the date which is 90 days prior to the earlier of (1) a Change of Control; and (2) public notice of the occurrence of a Change of Control or of the intention of the Issuer to effect a Change of Control.

"*Rating Decline*" means the decrease in the rating of the Notes by at least one of the Rating Agencies by one or more gradations (including gradations within rating categories as well as between rating categories) from its rating on the Rating Date or the withdrawal of a rating of the Notes by any of the Rating Agencies on, or within 60 days after, the earlier of the date of public notice of the occurrence of a Change of Control or of the intention of the Issuer to effect a Change of Control or the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration by any of the Rating Agencies).

If no Rating Agency announces an action with regard to its rating of the Notes after the occurrence of a Change of Control, the Issuer shall request each Rating Agency to confirm its rating of the Notes before the end of such 60-day period.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings); (ii) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; (iii) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings except, in each case, Limited Recourse and Permitted Liens as defined in clauses (31) through (34) of the definition thereof;

(2) with which neither the Issuer nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified

Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Issuer nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results (other than those related to or incidental to the relevant Qualified Receivables Financing), except for Limited Recourse.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness of the Issuer or any Restricted Subsidiary to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and tender premiums, costs, expenses and fees Incurred in connection therewith);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is Incurred either by the Issuer or by a Guarantor,

provided, *however,* that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer to any Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (ii) Indebtedness of the Issuer owing to and held by the Issuer or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge, or repayment of any such Credit Facility or other Indebtedness.

"*Refinancing Transactions*" means the Refinancing Transactions and the RCF Amendments each as defined under "*Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*" in the Offering Memorandum.

"*Related Taxes*" means, without duplication (including, for the avoidance of doubt, without duplication of any amounts paid pursuant to any Tax Sharing Agreement):

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Subsidiary of the Issuer);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any Subsidiary of the Issuer;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Subsidiary of the Issuer; or

(e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*"; or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and Subsidiaries of the Issuer would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and the Subsidiaries of the Issuer had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and the Subsidiaries of the Issuer.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Responsible Officer*" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of the Indenture and any other offices of the Trustee to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means a Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving facility agreement (and the facilities available thereunder) dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified or replaced from time to time, among, *inter alios,* the Issuer as borrower, the lenders from time to time party thereto, and the facility agent and security agent (as each are defined therein).

"*Rights Issue*" means the rights issue of ordinary shares with preferential subscription rights to existing shareholders by the Issuer in an aggregate amount of €4,732 million completed in November 2014.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Sale*" is defined in the definition of "Pro Forma EBITDA".

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Securitization Assets*" means (a) the account receivable, royalty or other revenue streams and other rights to payment and other assets related thereto subject to a Qualified Receivables Financing and the proceeds thereof and (b) contract rights, lockbox accounts and records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in a securitization financing.

"*Security Agent*" means Deutsche Bank AG, London Branch acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Notes Collateral as contemplated by the Indenture.

"*Security Interests*" mean the security interests in the Notes Collateral that is created by the Security Documents and secures obligations under the Notes or the Note Guarantees and the Indenture.

"*Senior Credit Facility*" means the Term Loan Credit Agreement (and the facilities available thereunder), dated as of May 8, 2014, as amended, restated, supplemented or otherwise modified or replaced from time to time, among, inter alios, the Issuer, Ypso France SAS and Numericable U.S. LLC as borrowers, the lenders from time to time party thereto, and the facility agent and security agent (as each are defined therein).

"*Senior Indebtedness*" means with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(a), (4)(b) and (4)(c), (5), (7), (14) or (16) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of the foregoing

"*Senior Notes Issuer*" means an issuer of Senior Subordinated Notes (as defined in the Intercreditor Agreement).

"*Senior Notes Proceeds Loan*" means any loan agreement entered into between a Senior Notes Issuer and the Issuer pursuant to which the Senior Notes Issuer lends to the Issuer all or substantially all of the net proceeds of any Incurrence of Indebtedness by the Senior Notes Issuer.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Senior Indebtedness that is secured by a Lien on the Notes Collateral on a basis *pari passu* with or senior to the security in favor of the Notes.

"*SFR TowerCo*" has the meaning given to such term under "*Summary—Recent Developments—Disposition of Tower Assets"* in the Offering Memorandum.

"*SFR TowerCo Consolidated Net Income*" means the net income (loss) of SFR TowerCo determined in good faith by the Issuer on a consolidated basis on the basis of IFRS, excluding, to the extent applicable, the income (loss) and other items described in clauses (1) to (13) of the definition of Consolidated Net Income, *provided* that all references to the "Issuer" in such clauses (or related definitions) denote " SFR TowerCo", as applicable, for the purpose of this SFR TowerCo Consolidated Net Income definition.

"*SFR TowerCo EBITDA*" means for any period, without duplication, the SFR TowerCo Consolidated Net Income for such period, plus (to the extent deducted in calculating such SFR TowerCo Consolidated Net Income and to the extent applicable) the expenses and other items described in clauses (1) to (9) of the definition of Consolidated EBITDA determined in good faith by the Issuer, *provided* that all references to the "Issuer" in such clauses (or related definitions) denote "SFR TowerCo", as applicable, for the purpose of this SFR TowerCo EBITDA definition.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and the Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer’s and the Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) if positive, the Issuer’s and the Restricted Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and the Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Similar Business*” means (a) any businesses, services or activities (including marketing) engaged in by the Issuer or any of their Subsidiaries on the Issue Date, (b) telecommunications, broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto, and producing and selling any print, audio, video or other content and (c) any businesses, services and activities (including marketing) engaged in by the Issuer or any of their Subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including, without limitation, Limited Recourse and those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal is scheduled to be paid, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment pursuant to a written agreement to the Note Guarantee of such Guarantor.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement

action, in each case, prior to the date that is six months following the Stated Maturity of the Notes, is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of the Restricted Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date.

"*Subsidiary* " means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Taxes*" has the meaning given to such term under "*Withholding Taxes*".

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America, (ii) Canada, (iii) the United Kingdom, (iv) any European Union member state, (v) Switzerland, (vi) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vii) any agency or instrumentality of any such country or member state, or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1 "by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above, or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of € 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, the United Kingdom, Switzerland, any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States of America, Canada, Switzerland, the United Kingdom or a member state of the European Union eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Term Loans"* means any term loans extended to the Issuer pursuant to the Senior Credit Facility.

"*Towers Transaction*" has the meaning given to such term under "*Summary—Recent Developments—Disposition of Tower Assets*" in the Offering Memorandum.

"Treasury Rate" means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two (2) Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from such redemption date to February 1, 2022;

provided that if the period from such redemption date to February 1, 2022 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*U.S. Government Obligations"* means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, rated at least "*A-1*" by S&P or "*P-1*" by Moody's, and which are not callable or redeemable at the option of the issuer thereof.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer and the Restricted Subsidiaries in such Subsidiary complies with "—*Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer could Incur at least €1.00 of additional Indebtedness under sub-clause (1) of the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Net Leverage Ratio would be no higher than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly Owned Subsidiary*" means (1) in respect of any Person, a Person, all of the Capital Stock of which (other than (a) directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law, regulation or to ensure limited liability and (b) in the case of a Receivables Subsidiary, shares held by a Person that is not an Affiliate of the Issuer solely for the purpose of permitting such Person (or such Person's designee) to vote with respect to customary major events with respect to such Receivables Subsidiary, including without limitation the institution of bankruptcy, insolvency or other similar proceedings, any merger or dissolution, and any change in charter documents or other customary events) is owned by that Person directly or (2) indirectly by a Person that satisfies the requirements of clause (1).

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of the Notes sold outside the United States pursuant to Regulation S are initially represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**"). The Regulation S Global Notes representing the Dollar Notes (the "**Dollar Regulation S Global Notes**") were deposited upon issuance with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro Notes (the "**Euro Regulation S Global Notes**") were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Each series of the Notes sold within the United States to "qualified institutional buyers" pursuant to Rule 144A are initially represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**" and, together with the Regulation S Global Notes, the "**Global Notes**"). The 144A Global Notes representing the Dollar Notes (the "**Dollar 144A Global Notes**") were deposited upon issuance with Deutsche Bank Trust Company Americas, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro Notes (the "**Euro 144A Global Notes**") were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to herein as the "**Dollar Global Notes**". The Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to herein as the "**Euro Global Notes**".

Ownership of interests in the 144A Global Notes (the "**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") are limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The Book-Entry Interests in the Euro Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Book-Entry Interests in the Dollar Global Notes will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of the Notes, under the Indenture for any purpose.

So long as the Notes are held in global form, the common depositaries for DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither we, the Registrars, Deutsche Bank Trust Company Americas, as custodian for DTC, the common depository for the accounts of Euroclear and Clearstream nor the Trustee under the Indenture nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

In accordance with Article 100-14 paragraph 2 of the Luxembourg Law dated 10 August 1915 on commercial companies, as amended, the application of the provisions set out in Articles 470-1 to 470-19 is expressly excluded.

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if DTC (with respect to the Dollar Global Notes), or Euroclear and Clearstream (with respect to the Euro Global Notes) notify the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days,
- if DTC (with respect to the Dollar Global Notes), or Euroclear or Clearstream (with respect to the Euro Global Notes) so requests following an event of default under the Indenture, or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream, as applicable, following an event of default under the Indenture.

In such an event, the Registrars will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream, as applicable, or the Issuer (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrars shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the applicable Global Notes will be evidenced through registration from time to time in the register maintained by the Registrars, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes, however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and/or Clearstream, as applicable.

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided*, *however*, that no Book-Entry Interest of less than €100,000, in the case of the Euro Global Notes, or $200,000, in the case of the Dollar Global Notes, principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Euro Paying Agent (in respect of the Euro Notes) and/or the U.S. Paying Agent (in respect of the Dollar Notes). The Euro Paying Agent will, in turn, make such payments to Euroclear and Clearstream (in the case of the Euro Global Notes) and the U.S. Paying Agent will, in turn, make such payments to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer, the Trustee the Registrars, the Transfer Agents and the Paying Agents will treat the registered holder of the Global Notes (for example, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrars the Transfer Agents nor the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or

- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or

- DTC, Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary or the custodian.

Payments made by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name”.

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes is paid to holders of interests in such Notes (each a “**Euroclear/Clearstream Holder**” and together, the “**Euroclear/Clearstream Holders**”) through Euroclear and/or Clearstream, as applicable, in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (each a “**DTC Holder**” and together, the “**DTC Holders**”) through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. dollars in accordance with Euroclear or Clearstream’s customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder’s election. All costs of conversion resulting from any such election will be borne by such Euroclear/Clearstream Holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC’s customary procedures, which include, among other things, giving to DTC a notice of such holder’s election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such DTC Holder.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes bear a legend to the effect set forth in "*Notice to Investors*". Book-Entry Interests in the Global Notes are subject to the restrictions on transfer discussed in "*Notice to Investors*".

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the "**40-day Period**"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available).

Subject to the foregoing, and as set forth in "*Notice to Investors*", Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and Exchange*". Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*".

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar Global Note will be effected by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book- Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Trustee, the Paying Agents, the Registrars and the

Transfer Agents nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law,
- a "banking organization" within the meaning of New York Banking Law,
- a member of the Federal Reserve System,
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and
- a "clearing agency" registered pursuant to the provision of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act").

DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic book-entry transfers and pledges between direct participants' accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market thereof and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depositary, however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time.

Neither the Issuer, the Trustee, the Registrars, the Transfer Agents nor the Paying Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes was made in euro and U.S. dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests are credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

We expect that secondary trading in the Notes will also be settled in immediately available funds.

The Book-Entry Interests trade through participants of DTC and Euroclear or Clearstream and settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

NOTICE TO INVESTORS

The Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Notes are being offered, sold and issued to (i) in the United States, to "qualified institutional buyers" in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) outside of the United States, to "non U.S. persons" as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) You are not acting on behalf of the Issuer and you (A) (i) are a "qualified institutional buyer" (as defined in Rule 144A), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the Issuer's and Trustee's right prior to any such offer, sale or transfer pursuant to this clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to them, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you or it of the resale restrictions referred to the legend below.

(3) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than by the Issuer with respect to the information contained in the Offering Memorandum, which was delivered to you and upon which you were relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of the Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantor, the Indenture, the Notes Collateral Documents and the Notes as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You also acknowledge that:

(a) the Issuer and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of Notes under the paragraph two above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and

(b) each Global Note contains a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE 'U.S. SECURITIES ACT'), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY

INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S UNDER THE U.S. SECURITIES ACT)], ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT IN THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN, (1) EITHER (A) THE ACQUIRER OR TRANSFEREE IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, (“CODE”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S AND/OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “BENEFIT PLAN INVESTOR”), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE

CODE ("SIMILAR LAWS") AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THIS NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THIS NOTE, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THIS NOTE AND THE REFINANCING TRANSACTIONS CONTEMPLATED WITH RESPECT TO THIS NOTE.

(c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT" ("**OID**") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE ISSUER, C/O ALTICE FRANCE S.A., 16 RUE DU GENERAL ALAIN DE BOISSIEU, 75015 PARIS, FRANCE ATTN: CHIEF FINANCIAL OFFICER.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You acknowledge that the Registrars will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrars that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify such Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.

(3) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of the Notes issued under Rule 144A) or 40 days (in the case of the Notes issued under Regulation S) after the later of the closing date and the last date that the Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends.

(5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to such Issuer, the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and/or in the front of these Listing Particulars under "*Prohibition of Offers To EEA Retail Investors*", "*Professional Investors and ECPS only Target Market*", "*Notice to Certain European Investors*" and "*Notice to Investors in Canada*" and/or under "*Plan of Distribution*" or "*Certain Employee Benefit Plan Considerations*".

ERISA Considerations

By acquiring the Notes, you will be deemed to have further represented and agreed as follows:

With respect to the acquisition, holding and disposition of the Notes or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended ("Code"), applies, or any entity whose underlying assets include "*plan assets*" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "Benefit Plan Investor"), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws") and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such a governmental, church or non-U.S. Plan, or (ii) your acquisition, holding and disposition of such Notes, or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws) and (B) neither the Issuer nor any of its affiliates is a Fiduciary (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non-U.S. plan, any definition of "*fiduciary*" under Similar Laws) with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the Notes and the Refinancing Transactions contemplated with respect to the Notes.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "**Plans**"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non U.S. or other laws or regulations that are substantially similar to the foregoing provisions of ERISA or the Code ("**Similar Laws**").

Each of us, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of us, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan's acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption ("**PTE**") 84–14, regarding transactions effected by a "qualified professional asset manager"; PTE 90–1, regarding investments by insurance company pooled separate accounts; PTE 91–38, regarding investments by bank collective investment funds; PTE 95–60, regarding investments by insurance company general accounts and PTE 96–23, regarding investments by certain "in house asset managers". In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

Under ERISA and a regulation issued by the U.S. Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), the assets of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**") will be deemed to constitute "plan assets" for the purposes of ERISA and the Code if a "Benefit Plan Investor" (within the meaning of Section 3(42) of ERISA) acquires an "equity interest" in the entity and none of the exceptions contained in the Plan Asset Regulation is applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Under the exceptions in the Plan Asset Regulation, an entity will not be deemed to hold plan assets if (i) participation in the entity by Benefit Plan Investors is not "significant" (e.g., Benefit Plan Investors hold less than 25% of each class of equity interest in the entity), or (ii) the entity is an operating company, including a "venture capital operating company" or "real estate operating company".

Although there is little guidance on the subject, it is anticipated that, at the time of their issuance, the Notes should not be treated as equity interests of the Issuer for purposes of the Plan Asset Regulation.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS), AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTORS OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN; AND (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THE NOTES AND THE REFINANCING TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID AB INITIO.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank, Section 401(c) of ERISA and the U.S. Department of Labor regulation at 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The sale of any Note or any interest therein to a Plan or a governmental, church or non U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in these Listing Particulars, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

CERTAIN TAX CONSIDERATIONS

Certain Luxembourg Tax Considerations

The following is a summary of certain Luxembourg material tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the Notes. It should be read in conjunction with "*Risk Factors*". It is based on the laws, regulations, and administrative and judicial interpretations presently in force in Luxembourg, although it is not intended to be, nor should it be construed to be, legal or tax advice or to cover any and all types of investors. Potential investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax and net wealth tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax and municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding Tax

(i) Nonresident Noteholders

The European Union Savings Directive (Council Directive 2003/48/EC of June 3, 2003, on taxation of savings income in the form of interest payments, the "EU Savings Directive") has been repealed by the Directive 2015/2060/EC of November 10, 2015, with effect as from 1 January 2016.

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or non-participating interests made to Luxembourg non-resident holders of the Notes, nor on accrued but unpaid non-participating interests in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg non-resident holders.

(ii) Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the "December Law"), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holder of Notes, nor on accrued but unpaid interest in respect of the Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December Law, payments of interest or similar income made by a paying agent (within the meaning of the December Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident Investor may be subject to a final tax of 20%. Such tax will be in full discharge of income tax if the individual beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax will be assumed by the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the December Law) who is a resident of Luxembourg may opt in accordance with the December Law to self declare and pay a final tax of 20% when he/she receives such interest or similar income from a paying agent established in another EU Member State, in a member state of the EEA which is not an EU Member State. In such case, the 20% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agent. The option for the 20% final levy must cover all payments of interest or similar income made by the paying agent to the Luxembourg resident beneficial owner or, under certain circumstances, to a Residual Entity established in another EU Member State, during the entire civil year. The individual resident who is the beneficial owner of interest is responsible for the declaration and the payment of the 20% final tax.

Income Taxation

(i) Nonresident Noteholders

Nonresident Noteholders, not having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Nonresidents holders who have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal of the Notes.

(ii) Resident Noteholders

Individuals

A resident Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest or similar income received, redemption premiums or issue discounts, under the Notes, except if tax has been levied on such payments in accordance with the December Law.

A gain realized by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

Gains realized upon a disposal of the Notes by an individual Noteholder acting in the course of the management of a professional or business undertaking and who is resident of Luxembourg for tax purposes are subject to Luxembourg income taxes.

Corporations

A corporate resident Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A Noteholder that is governed by the law of May 11, 2007 as amended, on family estate management companies (*société de gestion de patrimoine familial*) or by the law of December 17, 2010 (amending the law of December 20, 2002), on undertakings for collective investment, or the law of February 13, 2007 on specialized investment funds (as amended), is neither subject to Luxembourg income tax (i.e., corporate income tax, municipal business tax and net wealth tax) in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

Net Wealth Taxation

Individuals

An individual Noteholder, whether he/she is resident in Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Corporations

A Luxembourg resident corporate Noteholder as well as a non-Luxembourg resident Noteholder which maintains a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which such Notes or income thereon are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is a family estate management company (*société de gestion de patrimoine familial*) introduced by the law of May 11, 2007 (as amended), an undertaking for collective investment governed by the law of December 17, 2010 (amending the law of December 20, 2002), a securitization vehicle governed by and compliant with the law of March 22, 2004 on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles, a specialized investment fund governed by the law of February 13, 2007 on specialized investment funds (as amended), or a resourced alternative investment fund governed by the law of July 23, 2016 or resourced alternative investment funds.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to register the Notes in Luxembourg. However, a registration duty may apply upon voluntary registration of the Notes in Luxembourg.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

Certain French Tax considerations

The following is a summary of certain material French tax considerations relating to the purchase, ownership and disposition of the Notes by an investor who is not a French tax resident for French tax purposes, who does not hold the Notes in connection with a permanent establishment or a fixed base in France and who is neither a shareholder of the Issuer nor a related party of the Issuer within the meaning of Article 39.12 of the French Tax Code (*Code général des impôts*) (the "FTC").

This summary is based on the French tax law and regulations in effect and as applied by the French tax authorities on the date of the Offering Memorandum, all of which are subject to change, possibly with retroactive effect, or to different interpretations.

This summary is for general information only and does not purport to be a comprehensive description of all of the French tax considerations that may be relevant to any prospective investor.

Prospective investors in the Notes are urged to consult their own professional tax advisors as to the French tax consequences of purchasing, owning and disposing of the Notes in light of their particular circumstances.

Payments of interest and other revenues with respect to the Notes

Payments of interest and assimilated revenues made by a debtor which is established in France with respect to a particular debt (including debt in the form of notes as the Notes) are not subject to the withholding tax set forth under Article 125 A III of the FTC unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the FTC (a "Non-Cooperative State"). If such payments are made in a Non-Cooperative State, a 75% withholding tax is applicable (subject to certain exceptions, certain of which are set forth below and to the more favorable provisions of any applicable double tax treaty). The 75% withholding tax is applicable irrespective of the tax residence or registered headquarters of the holders of the Notes. The list of Non-Cooperative States is published by a ministerial executive order (*arrêté*) which is updated yearly.

Furthermore, according to Article 238 A of the FTC, interest on debt and assimilated revenues paid by a debtor or an issuer of notes that is established in France will not be deductible from the debtor's or the issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid on an account opened in a financial institution established in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest or other revenues may be re characterized as constructive dividends pursuant to Article 109 *et seq.* of the FTC, in which

case it may be subject to the withholding tax set out under Article 119 *bis* 2 of the FTC, at a rate of 30% or 75% (subject to the more favorable provisions of any applicable double tax treaty).

Notwithstanding the foregoing, neither the 75% withholding tax provided by Article 125 A III of the FTC, nor, to the extent the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, the non-deductibility of the interest or other revenues pursuant to Article 238 A of the FTC and the withholding tax set out under Article 119 *bis* 2 of the FTC which may be levied as a consequence of such non-deductibility, will apply in respect of a particular issue of debt instruments (including debt in the form of notes as the Notes), provided that the debtor or the issuer can prove that the main purpose and effect of such issuance is not to enable payments of interest or other revenues to be made in a Non-Cooperative State (the "Exception").

It should be noted that, on March 28, 2018, the French Government submitted a bill to the Senate which aims at reinforcing the fight against tax, social security and customs fraud, completing, among other things, the French list of Non-Cooperative States in tax matters by incorporating those included on the list adopted by the European Union on December 5, 2017 (the "EU Blacklist"), as amended from time to time, to a certain extent. Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to this bill in their particular situation. The 2017 Non-Cooperative States list includes Brunei, Guatemala, Marshall Islands, Nauru, Niue, Panama and Botswana. Should the abovementioned bill be adopted in its current form, the list of the Non-Cooperative States could be extended to include States and jurisdictions on the EU Blacklist.

Pursuant to French administrative guidelines—*Bulletin Officiel des Finances Publiques—Impôts* BOI-INT-DG-20-50-20140211 n°550 and n°990—(the "Administrative Guidelines"), an issue of debt securities benefits from the Exception without the issuer having to provide any evidence supporting the main purpose and effect of such issuance of debt securities (the "Safe Harbor"), if such notes are:

- offered by means of a public offering within the meaning of Article L.411-1 of the French *Code monétaire et financier* (French Monetary and Financial Code) or pursuant to an equivalent offer in a State other than a Non-Cooperative State (for this purpose, an "equivalent offering" means any offering requiring the registration or submission of an offering document by or with a foreign securities market authority);

- admitted to trading on a French or foreign regulated market or on a multilateral financial instruments trading facility, provided that such market or facility is not located in an Non-Cooperative State and that such market is operated by a market operator, an investment services provider, or by such other similar foreign entity that is not located in a Non-Cooperative State; or

- admitted, at the time of their issuance, to the operations of a central depositary or of a securities clearing and delivery and payment systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators, provided that such depositary or operator is not located in a Non-Cooperative State.

The Notes issued by the Issuer qualify as debt securities under French commercial law. Considering that the Notes will be admitted, at the time of their issuance, to the clearing operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French *Code monétaire et financier* which is not located in a Non-Cooperative State, payments made by the Issuer in respect of the Notes to their holders benefit from one of the above mentioned exceptions and consequently will be exempt from the withholding tax set out under Article 125 A III of the FTC.

Moreover, under the same conditions and to the extent that the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, interest and other revenues paid by the Issuer to the holders of the Notes in respect of the Notes are not subject, pursuant to the Administrative Guidelines, to the related non-deductibility rule set forth under Article 238 A of the FTC and, as a result, will not be subject to the withholding tax set forth under Article 119 *bis* 2 of the FTC solely on account of their being paid or accrued to a person domiciled or established in a Non-Cooperative State or paid on an account opened in a financial institution established in such a Non-Cooperative State.

Taxation on disposal

A holder of a Note who is not a resident of France for French tax purposes and who does not hold the Notes in connection with a permanent establishment or a fixed place of business in France should not be subject to any income or withholding taxes in France in respect of the gains realized on the sale, disposal or other disposition of the Notes.

Transfer tax

No transfer taxes or similar duties are payable in France in connection with the transfer of Notes, except in the case of filing with the French tax authorities on a voluntary basis.

European Information Exchange Regimes

On December 9, 2014, the Council of the European Union adopted a Directive (EC Council Directive 2014/107/EU amending EU Council Directive 2011/16/EU) to implement the OECD measures known as the "Common Reporting Standard." Member States were required to begin exchanging information pursuant to such Directive no later than September 30, 2017 (although this date was extended to September 30, 2018 for Austria). The Common Reporting Standard is generally broader than the (now repealed) European Union Council Directive 2003/48/EC on the taxation of savings income, although it does not impose withholding taxes.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Notes by a U.S. Holder thereof as defined below, except for the discussion under "FATCA" and "U.S. Backup Withholding Tax and Information Reporting". This description only applies to Notes held as capital assets (generally, property held for investment) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- individual retirement accounts or other tax deferred accounts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or
- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, in each case, the first price to the public at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax considerations described herein. No opinion of counsel to the Issuer or the holders or ruling from the Internal Revenue Service ("IRS") has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Notwithstanding the rules described below, it should be noted that, under recently enacted law that is effective for tax years beginning after December 31, 2017 (or, in the case of original issue discount ("OID"), for tax years beginning after December 31, 2018), certain accrual basis taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the notes at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below.

Redemptions and Additional Amounts

In certain circumstances, the Issuer may be obligated to or may elect to make payments in excess of stated interest or principal of the Notes and/or redeem the Notes in advance of their stated maturity. The Issuer believes, and intends to take the position, if required, that the Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments or redemption. This position is based in part on assumptions, as of the date of issuance of the Notes, (1) regarding the likelihood that such payments will have to be paid or that the Issuer will elect to pay such amounts and/or (2) relating to the expected yield to maturity of the Notes. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in "*—Sale, Exchange, Retirement or Other Taxable Disposition*" and any payments of additional amounts in respect of withholding taxes would be taxable as additional ordinary income when received or accrued, in accordance with such holder's method of accounting for U.S. federal income tax purposes. The Issuer's position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to the Issuer's position, which could affect the amount, timing and character of a U.S. Holder's income with respect to the Notes. U.S. Holders should consult their own tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

Stated Interest

Stated interest paid on the Notes generally will be treated as "qualified stated interest." Payments of qualified stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes, as detailed below. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer), or that is treated as constructively received, at least annually at a single fixed rate.

Stated interest on the Euro Notes will be included in a U.S. Holder’s gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Interest (including OID, if any, as described below) included in a U.S. Holder’s gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, interest generally should constitute “passive category income”. Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to the U.S. Holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Original Issue Discount

One or more series of the Notes may be treated as issued with OID for U.S. federal income tax purposes. A Note will be treated as having been issued with OID for U.S. federal income tax purposes if its “stated redemption price at maturity” exceeds its issue price by at least the “OID *de minimis* amount”. The OID *de minimis* amount equals $^1/_4$ of 1% of the debt instrument’s stated redemption price at maturity multiplied by the number of complete years from its issue date to maturity. The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on the Note other than qualified stated interest payments.

If a Note is issued with OID a U.S. Holder generally will be required to include OID in income before the receipt of the associated cash payment, regardless of the U.S. Holder’s accounting method for tax purposes. The amount of OID with respect to a Note that a U.S. Holder must include in income is the sum of the “daily portions” of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the Note. The daily portion is determined by allocating a pro rata portion of the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the excess of (1) the product of the “adjusted issue price” of the Note at the beginning of the accrual period and its yield to maturity (computed on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) over (2) the amount of any stated interest allocable to the accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is generally the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the Note that were not stated interest. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the "adjusted issue price" at the beginning of the period. Under applicable U.S. Treasury Regulations, a U.S. Holder of a Note with OID may elect to include in gross income all interest (including stated interest) that accrues on the Note using the constant yield method described above. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Issuer, c/o Altice France S.A., 16, rue du General Alain de Boissieu, 75015 Paris, France, Attn: Chief Financial Officer.

Any OID on a Euro Note generally will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a sale or disposition of such a Note or otherwise), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as stated interest received by an accrual basis U.S. Holder, as described above. U.S. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules. For these purposes, all receipts on a Euro Note will be viewed first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earlier accrual periods first; and, third, as receipts of principal.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Possible Effect of Certain Transactions Including Reorganizations, Mergers and Consolidations

The Issuer may engage in certain transactions, including without limitation reorganizations, mergers and consolidations as described above under "*Description of Notes—Merger and Consolidation*". Depending on the circumstances, a change in the obligor of the Notes as a result of the transaction could result in a deemed taxable exchange to a U.S. Holder and the modified Note could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss.

The Issuer may be required to report certain information regarding such transaction that may be relevant to U.S. Holders either (1) by filing Form 8937 with the IRS and providing copies to certain of its Holders or (2) by posting the form on its website.

Sale, Exchange, Retirement or Other Taxable Disposition

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note.

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition of the Note (less any amounts attributable to accrued but unpaid interest, which will be subject to tax in the manner described above under "*—Stated Interest*" to the extent not previously so taxed), and the U.S. Holder's adjusted tax basis in the Note.

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note. If a U.S. Holder purchases a Note with euros, the U.S. dollar cost of the Note generally will be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Note generally will be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S.

Holder) should determine the U.S. dollar value of the cost of or amount received on the Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement, or other taxable disposition of a Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder generally is taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

Any gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Euro Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder’s euro purchase price for the Euro Note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other taxable disposition and (ii) the U.S. dollar value of the U.S. Holder’s euro purchase price for the Euro Note calculated at the spot rate of exchange on the date of purchase of the Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the Notes.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other taxable disposition of the Notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, Notes and to proceeds from the sale, exchange, retirement or disposition of Notes that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Note to, or from gross proceeds on the sale or disposition of a Note paid to, a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale, exchange, retirement or disposition to a holder of a Note that is not a U.S. person generally are subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder’s U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

FATCA

Sections 1471 through 1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, "FATCA") generally imposes withholding at a rate of 30% on payments made to any foreign entity on debt obligations generating U.S. source interest or certain other debt obligations generating non-U.S. source interest issued by a foreign financial institution, unless that foreign entity complies with certain reporting rules under FATCA or otherwise qualifies for an exemption. Even if payments on the Notes are treated as paid from a foreign financial institution and any portion of such payments is treated as a "foreign passthru payment," the Notes will be grandfathered because no final regulations defining a "foreign passthru payment" have been issued and therefore are not subject to the FATCA withholding rules. If, however, the Notes are modified at a time when the grandfathering rules are no longer available (i.e., more than six months after the date final regulations defining a "foreign passthru payment" are published), withholding may apply and holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for any such withholding. In addition, if additional Notes are issued after the expiration of the grandfathering period and have the same ISIN or CUSIP as the Notes issued hereby, then withholding agents may treat all notes, including the Notes issued hereby, as subject to withholding under FATCA. Holders should consult their tax advisors regarding the availability of a refund in that circumstance. An intergovernmental agreement between the United States and a foreign country where the Issuer, a holder or intermediary is located may modify the requirements in this paragraph. Prospective holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement") by and among, *inter alios* the Issuer and the Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Dollar Notes in an aggregate principal amount of $1,750 million and Euro Notes in an aggregate principal amount of €1,000 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers offered the Notes for resale at the respective issue price indicated on the cover page hereof. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates. Sales in the United States will be made through affiliates of the Initial Purchasers, which are registered with the U.S. Securities and Exchange Commission as U.S. registered broker dealers.

In the Purchase Agreement, the Issuer has agreed that:

- subject to certain exceptions, neither the Issuer nor any of its subsidiaries will offer, sell, contract to sell or otherwise dispose of any of their debt securities, or guarantee such debt securities (other than the Notes, the Guarantees and any intercompany debt), without the prior written consent of the Representatives (as defined therein), for a period of 30 days after the Issue Date; and

- the Issuer will indemnify the Initial Purchasers and their respective affiliates against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

Each purchaser of Notes, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Notice to Investors*".

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of the offering and (ii) the issue date of the Notes, an offer or sale within the United States of Notes initially sold in reliance on Regulation S by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*".

Selling Restrictions

European Economic Area

Prohibition of Offers To EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). No key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Professional Investors and ECPS Only Target Market

Solely for the purposes of the product approval process of each of Goldman Sachs International, BNP Paribas and J.P. Morgan Securities plc (each, a "**manufacturer**"), the target market assessment in respect of the Notes described in these Listing Particulars has led to the conclusion that: (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

United States of America

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

In the Purchase Agreement, each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to such Initial Purchaser or the Guarantors; and

- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. These Listing Particulars do not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession these Listing Particulars comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of these Listing Particulars and resale of the Notes. See "*Notice to Investors*".

The Initial Purchasers and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion without notice. In addition, such market-making activities will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell which will be favorable.

The Notes are a new issue of securities, and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Notice to Investors". The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each Initial Purchaser has also agreed in the Purchase Agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes these Listing Particulars, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force.

In connection with the offering, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers and/or their respective affiliates from time to time have provided in the past and may enter into in the future investment banking, financial advisory and/or lending and commercial banking transactions with, and/or may perform other services for, to us and/or our affiliates in the ordinary course of business for which they have received or may receive customary fees, commissions and reimbursement of expenses (including acting as initial purchasers and/or lenders in connection with previous issuances of debt securities and debt facilities of the Issuer). In connection with our strategy to review and evaluate selective acquisitions and other business combinations, we and our shareholders regularly engage mergers and acquisition advisors and other financial advisors to assist us. Certain of the Initial Purchasers and their affiliates may be currently advising us or other interested parties, and the Initial Purchasers and their affiliates may advise us or other interested parties from time to time on other transactions in the future. In addition, certain of the Initial Purchasers or their affiliates are party to certain of our hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions in us, our current or future subsidiaries and affiliates and/or financial intermediaries and the financial instruments issued by any of them.

Depending on market conditions, the Initial Purchasers may decide to initially purchase and hold a portion of the Notes for their own account.

Delivery of the Notes has been made against payment on the Notes on the date specified on the cover page of these Listing Particulars, which was ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes. Trades in the secondary market generally settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of the Offering Memorandum or the next seven succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Altice Europe or its controlling shareholder or any of their respective affiliates may purchase Notes in the offering at a purchase price per Note equal to the issue price set forth on the cover page of these Listing Particulars. The purchase agreement between the Issuer and the Initial Purchasers has restricted the ability of Altice Europe or its controlling shareholder or any of their respective affiliates to buy or sell Notes in the future and, as a result, Altice Europe or its controlling shareholder or any of their respective affiliates may buy or sell the Notes in open market transactions at any time following the consummation of the offering of the Notes.

In connection with the Refinancing Transactions Merrill Lynch International ("MLI") is acting exclusively for the Issuer and no one else. Accordingly, in connection with the Refinancing Transactions, MLI will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients or for the giving of advice in relation to the Refinancing Transactions.

In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (and/or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investments and securities activities may involve securities and/or instruments of the Issuer. The Initial Purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Affiliates of certain Initial Purchasers are agents and/or lenders under the Existing Term Loans Agreement and the Existing Revolving Credit Facilities Agreement and may consent to the RCF Amendments. Certain of the Initial Purchasers or their respective affiliates may also beneficially own the Existing 2022 Notes and may therefore receive a portion of the proceeds of the Notes pursuant to the Refinancing Transactions.

LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS AND INSOLVENCY LAWS OF CERTAIN JURISDICTIONS

The following is a summary of certain limitations on the enforceability of the Guarantees and the Notes Collateral in each of the jurisdictions in which the Issuer and the Guarantors are organized and a general discussion of insolvency proceedings governed by Luxembourg and French law for informational purposes only. It does not address all the Luxembourg and French legal considerations that may be relevant to holders.

European Union

Pursuant to Regulation (EU) 2015 848 of 20 May 2015 on insolvency proceedings recast (the "**New Insolvency Regulation**"), which applies within the European Union (other than Denmark), the courts of the Member State in which a debtor's "center of main interests" (as that term is used in Article 3(1) of the New Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the New Insolvency Regulation that a debtor has its center of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 30 of the New Insolvency Regulation states that the center of main interests of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis, which is therefore ascertainable by third parties". The courts have taken into consideration a number of factors in determining the center of main interests of a debtor, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. A debtor's center of main interests is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the center of main interests of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under the New Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the New Insolvency Regulation. Insolvency proceedings commenced in one Member State under the New Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If the center of main interests of a debtor is in a Member State (other than Denmark), under Article 3(2) of the New Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(10) of the New Insolvency Regulation) in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the debtor carries on non-transitory economic activity with human means and goods.

Where main proceedings have been commenced in the Member State in which the debtor has its center of main interests, any proceedings commenced subsequently in another Member State in which the debtor has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex A of the New Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its center of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are commenced at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's center of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

Following the entry into force of the New Insolvency Regulation, there is an increased scrutiny in situations where there has been a recent COMI shift. Where a company's COMI has shifted in the preceding 3 months the rebuttable presumption that its COMI is at the place of its registered office will no longer apply. Also, the opening of secondary proceedings in another EU Member State—which will no longer be limited only to "winding-up proceedings"—will be possible not only if the debtor has an establishment in such EU Member State at the time of the opening of main insolvency proceedings, but also if the debtor had an establishment in such EU Member State in the 3-month period prior to the request of opening of main insolvency proceedings.

France

French insolvency laws

The Issuer is incorporated under the laws of France and as such any insolvency proceedings applicable to such a company are in principle governed by French law. The insolvency laws of France may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency proceedings governed by French law.

French laws and proceedings affecting creditors include debt rescheduling pursuant to Articles 1345-5 et seq. of the French Civil Code (Code civil), court-assisted proceedings (*mandat ad hoc and procédure de conciliation*) and court-administered proceedings being either safeguard proceedings (*procédure de sauvegarde*), accelerated safeguard proceedings (*procédure de sauvegarde accélérée*), accelerated financial safeguard proceeding (*procédure de sauvegarde financière accélérée*) and judicial reorganization or liquidation proceedings (*procedure de redressement or procedure de liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors.

Under the New Insolvency Regulation, if a debtor is incorporated in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is situated in France. In the case of a company or legal person, the place of its registered office is presumed to be the center of main interests in the absence of proof to the contrary. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

General Considerations

Grace periods. Pursuant to Articles 1343-5 et seq. of the French Civil Code, French courts may, in any civil or commercial proceedings involving a debtor, whether initiated by the debtor or the creditor thereof, after taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule the payment dates of payment obligations over a maximum period of two years and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the "legal" rate which is set every year by decree and which is currently 0.04% per annum) or that payments made shall discharge principal before interest. If a court order is made under Articles 1343-5 et seq. of the French Civil Code, it will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the period ordered by the court.

With respect to grace periods under Articles 1343-5 et seq. of the French Civil Code, pursuant to Article L. 611-7 of the French Commercial Code, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement.

Out-of-court and in-court proceedings. French law distinguishes between:

- **court-assisted proceedings** (*mandat ad hoc and conciliation*), which are voluntary proceedings in which the debtor seeks the help of a third party to negotiate an agreement with all or part of its creditors and stakeholders that puts an end to its difficulties with a view to, in particular, restructuring its indebtedness. These proceedings are confidential. The third party is appointed by the President of the competent commercial court upon proposal of the debtor company but the discussions themselves are conducted outside the court; and

- **court-administered proceedings** (*procédures collectives*), which are proceedings, during which payments by the debtor and legal actions by the creditors are suspended (automatic stay). These proceedings are public and involve all creditors (except for accelerated financial safeguard proceedings, as discussed below). Within this second category, French law further distinguishes between:

- **safeguard proceedings, accelerated safeguard proceedings and accelerated financial safeguard proceedings**, which are voluntary proceedings and available to debtors that are facing difficulties they cannot overcome but that are not insolvent (as defined below); and

- **judicial reorganization or judicial liquidation proceedings**, which are mandatory proceedings and must be opened by debtors that are insolvent.

Insolvency test. Under French law, a company is considered to be "insolvent" (*en état de cessation des paiements*) when it is unable to pay its debts as they fall due with its available assets, taking into account available credit lines, existing rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the insolvency proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling.

A company is required to petition for judicial reorganization or judicial liquidation proceedings within 45 days of becoming insolvent unless it has previously petitioned for conciliation proceedings within the same 45-day period; de jure managers (including directors) and, as the case may be, de facto managers are exposed to civil liability if the company fails to do so.

Court-assisted Proceedings

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (*mandate ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders e.g. an agreement to reduce or reschedule indebtedness.

Mandat ad hoc. Only a company that is facing any type of difficulties may petition the President of the competent commercial court for the appointment of an ad hoc agent (*mandataire ad hoc*). The order of the president of the court appointing a mandataire ad hoc is notified for information purposes to the debtor's auditors. The proceedings are not limited in time and the scope of work of the ad hoc agent is determined by the court. The ad hoc agent has no legal coercive power over the creditors. The restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement. Creditors are not barred from taking legal action against the company to recover their claims but, in practice, those that have accepted to take part in the proceedings usually accept not to do so. If the negotiations are successful, the parties typically enter into a restructuring agreement which is confidential and not sanctioned by the commercial court although the agreement reached is reported to the president of the court. In any event, the debtor retains the right to petition the relevant judge for a grace period, as set forth above.

Conciliation Proceedings. May only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent, or has been insolvent for less than 45 days and (ii) experiences or anticipates legal, economic or financial difficulties. The proceedings may last up to four months (with the conciliateur being able to request a one month extension). As for the mandat ad hoc, the commercial court will appoint a third party (*conciliateur*) which has no coercive power, any agreement between the debtor and its creditors being negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. During the proceedings, creditors may continue to sue individually for payment of their claims but they usually accept not to do so. In addition, the debtor retains the right to petition the judge which commenced the conciliation proceedings for a grace period, such decision being taken after hearing the conciliateur. If the negotiations are successful, the parties typically enter into a conciliation agreement, which will be either acknowledged (*constaté*) by the president of the court or approved (homologué) by the court. It will then become binding upon them and the creditors party thereto, who may not take action against the company in respect of claims governed by the conciliation agreement.

The acknowledgement of the conciliation agreement by the president of the court gives the conciliation agreement the legal force of a final judgment, which means that it constitutes a judicial title (*titre exécutoire*) that can be enforced by the parties without further recourse to a judge, but the conciliation proceedings remain confidential. The court can, at the request of the debtor, appoint the conciliateur to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

Additionally, pursuant to Article L. 611-10-1 of the French Commercial Code, the judge having commented conciliation proceedings may, during the execution period of a conciliation agreement (whether it is acknowledged or approved as described above), impose grace periods on creditors who were asked to participate in the conciliation proceedings (other than the tax and social security administrations) and have formally put the debtor on notice to pay or are suing for payment of claims that were not dealt with in the conciliation agreement, such decision being taken after hearing the conciliator if he/she has been appointed to monitor the implementation of the agreement.

Alternatively, the approval (homologation) by the court will make the conciliation proceedings, the existence of the conciliation agreement as well as the terms of the New Money Lien (see below) granted to creditors and the guarantees securing the same under the conciliation agreement public (the other terms of the conciliation agreement are not made public but the works council or employee representatives are informed of the content of the agreement) and otherwise have the same effect as its acknowledgement (constitution) as described above and, in addition:

- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the commercial court may not determine that the date of insolvency, and therefore the starting date of the hardening period (as defined below) is earlier than the date of the approval of the restructuring agreement by the court (except in case of fraud);

- creditors who, in the context of the conciliation proceedings, provide new money, goods or services for the purpose of ensuring the continuation of the business of the distressed company (other than shareholders providing new equity) may be granted a priority of payment over all pre-proceedings and post-proceedings claims (other than certain pre-proceedings employment claims and procedural costs) (the "New Money Lien"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;

- in the context of safeguard, judicial reorganization or judicial liquidation proceedings subsequent to conciliation proceedings, the payment date of claims secured by the New Money Lien may not be rescheduled without their holders' consent; and

- when the debtor is submitted to statutory auditing, the conciliation agreement is transmitted to its statutory auditors.

Whether the conciliation agreement is acknowledged or approved, while it is in force:

- interest accruing on the claims that are the subject of the agreement may not be compounded;

- the debtor retains the right to petition the court that commenced the conciliation proceedings for a grace period pursuant to Article 1343-5 et seq. of the French Civil Code and Article L. 611-10-1 of the French Commercial Code (see "Grace periods" above), in relation to claims of creditors (other than public creditors) party to the conciliation proceedings that are not already subject to the conciliation agreement, in which case the decision would be taken after having heard the conciliateur (provided that the terms of his or her appointment included monitoring the implementation of the agreement, as referred to above); and

- an obligor or third party having guaranteed, or provided credit support with respect to, the obligations of the company whose conciliation agreement has been acknowledged or approved may rely on the provisions of such agreement.

In the event of a breach of the conciliation agreement, any party to the conciliation agreement may petition the court for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to the claims dealt with by the conciliation agreement are suspended. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, except for amounts already paid to them.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a majority of creditors large enough that it is likely that such draft plan would meet the threshold requirements for creditors consent in safeguard, will be a mandatory preliminary step of the accelerated safeguard or accelerated financial safeguard proceedings, as described below.

Within the context of conciliation proceedings, the conciliator may organize the partial or total sale of the debtor, in particular through a “plan for the sale of the business” (plan de cession), at the request of the debtor and after the creditors taking part in the conciliation proceedings have been consulted.

Contractual provisions (i) modifying the conditions of continuation of a contract, diminishing the rights or increasing the obligations of the debtor due solely to the opening, or request made therefor, of a mandat ad hoc or a conciliation or (ii) taking part in the conciliation proceedings have been consulted are deemed null and void.

Court-Administered Proceedings—Safeguard

Safeguard Proceedings. A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (procédure de sauvegarde), with respect to itself provided it (i) is not insolvent and (ii) experiences difficulties that it is not able to overcome (which does not require the company to demonstrate that these difficulties would be likely to lead to its insolvency if safeguard proceedings were not opened). Creditors of the company do not attend the hearing before the court at which the opening of safeguard proceedings is requested. Following the opening of safeguard proceedings, a court appointed administrator investigates the business of the company during an “observation period”, which may last up to six months, renewable for an additional six months with court approval and which can then be extended once again for an additional six months (i.e., a maximum duration of the proceedings of 18 months), and helps the company to draw up a draft safeguard plan (*projet de plan de sauvegarde*) which will be submitted to the creditors. Creditors do not have effective control of the proceedings, which remain in the hands of the company and the administrator and are overseen by the court. The administrator, pursuant to the terms of the judgment commencing the proceedings, exercises an after-the-fact control over the decisions made by the debtor (“*mission de surveillance*”) or assists the debtor to make all or some of the management decisions (“*mission d’assistance*”).

During the safeguard proceedings, payments by the debtor of any debts incurred prior to the commencement of the proceedings are prohibited, subject to limited exceptions: the bankruptcy judge may authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or recover goods or rights transferred as collateral in a fiduciary estate (patrimoine fiduciaire). In addition, creditors are required to declare to the court-appointed creditors’ representative (mandataire judiciaire) the debts that arose prior to the commencement of the proceedings (as well as the post-proceedings commencement non-privileged debts) and are prohibited from engaging individual lawsuits against the debtor for any payment default in relation to such debts (See “*—Status of Creditors During In-Court Proceedings (Safeguard, Accelerated Safeguard Proceedings, Judicial Reorganization or Judicial Liquidation*) and the accrual of interest on loans with a term of less than one year, or on payments deferred for less than one year, is stopped. Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business’ ordinary activities during the observation period or are for the requirements of the proceedings, or are in consideration for a service rendered to the debtor during this period, must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exceptions, such as the New Money Lien (See “*—Conciliation Proceedings*”)).

The manner in which the liabilities will be settled, as provided for in the plan (debt remissions and payment terms) must be submitted to the creditors during a consultation, prior to the plan being approved by the court. The rules governing consultation vary according to the size of the business.

If, after commencement of the proceedings, it appears that the debtor was insolvent (en état de cessation des paiements) before their commencement, at the request of the debtor, the administrator, the creditors' representative or the Public Prosecutor but, in any event, after having heard the debtor, the court may convert the safeguard proceedings into judicial reorganization proceedings.

In addition, the court may convert safeguard proceedings into (i) judicial reorganization proceedings (a) at any time during the observation period if the debtor is insolvent or (b) in case no plan has been adopted by the relevant creditors' committee and, if any, the bondholders' general meeting (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end or (ii) judicial liquidation proceedings at any time during the observation period if the debtor is insolvent and its recovery is manifestly impossible. In all such cases:

(i) the court may decide at the request of the debtor, the court-appointed administrator, the creditors' representative or the Public Prosecutor and in all such cases with the exception of (i)(b), the court may act upon its own initiative; and

(ii) the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

As soon as safeguard proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

During the safeguard proceedings, payment by the debtor of any debts incurred (i) prior to the commencement of the proceedings or (ii) after the commencement of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor, is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt forgiveness, payment terms or debt-for-equity-swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation:

This applies to debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant, and who have 150 employees or less or a turnover of €20 million or less.

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, provided that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the maximum possible length of the plan (ten years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors which do not respond within 30 days of their receipt of the debt settlement proposal (other than debt for equity swaps) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard plan (plan de sauvegarde) can impose on them a uniform rescheduling of their claims (subject to the specific regime of claims benefiting from the New Money Lien) over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation:

In the case of large companies (whose accounts are certified by a statutory auditor (commissaire aux comptes) or established by a chartered-accountant (expert-comptable) and with more than 150 employees or a turnover greater than €20 million) or upon request of the debtor or the administrator and with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds, two creditors' committees (one for credit institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and their successive assignees having a claim against the debtor and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator) will then be established.

Creditors which are members of the credit institutions committee or of the major suppliers committee may also prepare an alternative safeguard plan to the one prepared by the debtor with the assistance of the administrator that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the administrator. Bondholders are not permitted to present their own alternative plan.

The committees must announce whether they approve or reject the safeguard plan within a minimum of 15 days of its proposal. Such approval occurs when members of each committee voting in favor of the plan account for at least two-thirds of the outstanding claims of the creditors expressing a vote. Each committee votes on a euro-for-euro basis whether or not claims are subordinated and/or secured/unsecured.

If there are any bondholders, they will be grouped together (whether or not they are subordinated, secured or unsecured) and, following approval of the plan by the two creditors committees, be required to vote on the plan during a general meeting of all bondholders (even if they relate to different issues and regardless of the law applicable to each issue) held for that purpose and approve the plan with a majority vote of two-thirds of the outstanding claims of the bondholders expressing a vote.

Approval of the plan by the two-thirds majorities shall, if the plan is approved by the court, bind all the members of the committees and the bondholders (including those who abstained or voted against the adoption of the plan). The plan submitted to the committees and the bondholders, if any, must take into consideration subordination agreements entered into between creditors before commencement of the proceedings, may include the rescheduling or cancellation of debts, and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent) and may treat creditors differently if it is justified by their differences in situation.

Each creditor member of a creditors committee and each bondholder must, if applicable, inform the judicial administrator of the existence of any agreement relating to the exercise of its vote or to the full or total payment of its claim as well as of any subordination agreement. The judicial administrator shall then submit to the creditor or bondholder a proposal for the computation of its voting rights in the creditors committee or bondholders general meeting. In the event of a disagreement, the creditor or noteholder or the judicial administrator may request that the matter be decided by the president of the commercial court in summary proceedings.

Amounts of claims secured by a trust (fiducie) created by the debtor to secure certain creditors are not taken into account. In addition, creditors for whom the plan does not provide any modification of their payment schedules or provides for a complete reimbursement in cash of their claims as soon as the plan is adopted or as soon as their claims are admitted are not entitled to vote on the plan.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders (see below), the plan has to be approved (arrêté) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained.

Creditors outside the creditors' committees or the bondholders general meeting are consulted in accordance with the standard consultation process referred to above.

If no plan is adopted by the committees within the first six months period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the court empowers the court-appointed administrator to convene a shareholders' meeting in order to take corporate resolutions with respect to the modification of the debtor's by-laws (including modifications of its share capital) required by a safeguard plan, the court may order that, under certain conditions, the shareholders' decisions be adopted by a majority vote of the shareholders attending or represented, as long as such shareholders own at least half of the shares with voting rights.

If no proposed safeguard plan whatsoever is adopted by the committees the court may, at the request of the debtor, the judicial administrator, the manataire judiciaire or the public prosecutor, convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly rapidly lead to the company becoming insolvent.

Specific case—Creditors that are public institutions: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted by a private economic operator placed in the same position, under normal market conditions. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a commission where the heads of finance departments and the organizations and institutions concerned are represented. The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties and fees.

In the event that safeguard (or judicial reorganization) proceedings are opened against the Issuer, the holders of the Notes will be treated as bondholders of the Issuer and will take part in the general meeting of bondholders and the committees of the bondholders, if any. Therefore, the bondholders would not be members of the credit institutions' committee but would vote on any draft plan proposed by the Issuer as members of the general meeting of bondholders. Bondholders could, as members of the general meeting of bondholders, veto such plan if they reach a blocking majority (i.e., if their claims represent more than one third of the claims of those creditors casting a vote in the meeting).

As a general matter, only the legal owner of the bank debt claim or the bond claim (as applicable) will be invited into the credit institutions committee or the general meeting of bondholders, as the case may be. Accordingly, a person holding only an economic interest therein will not itself be a member of the credit institutions committee or the general meeting of bondholders (as applicable).

Accelerated Safeguard and Accelerated Financial Safeguard Proceedings

A debtor which is the subject of conciliation proceedings may request the commencement of accelerated safeguard proceedings (procédure de sauvegarde accélérée) or accelerated financial safeguard proceedings (procédure de sauvegarde financière accélérée).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, i.e., those:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or

- which publish accounts certified by a statutory auditor or established by a certified public accountant and have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

If the debtor does not exceed the thresholds provided for to constitute creditors' committee (see above), the court shall authorize such constitution in the opening decision.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings;

- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;

- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and

- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions' committee only for financial accelerated safeguard proceedings) and bondholders general meeting, if any, within a maximum of three months following the commencement of accelerated safeguard proceedings, or within a maximum of two months following the commencement of accelerated financial safeguard proceedings.

The regime applicable to standard safeguard proceedings regime is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings, to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month).

In particular, the creditors committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent).

While accelerated safeguard proceedings apply to all creditors, accelerated financial safeguard proceedings apply only to "financial creditors" (i.e., creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying any amounts (including interest) to all creditors to whom the accelerated safeguard or accelerated financial safeguard proceedings apply relating to debts incurred prior to commencement of the proceedings. Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

In order to file for accelerated safeguard or AFS proceedings, the debtor company must (i) be subject to conciliation proceedings; (ii) not be insolvent; (iii) face financial difficulties that it finds itself unable to overcome; and (iv) justify that it has prepared a draft safeguard plan ensuring the continued operation of the company as a going concern, which has enough support from its creditors involved in the proceedings (including its bondholders, if applicable) that the plan is reasonably likely to be adopted within a maximum of three, in the event of accelerated safeguard proceedings, or two months in the event of AFS proceedings.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court is obligated to terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Judicial Reorganization or Liquidation Proceedings

Judicial reorganization or liquidation proceedings (redressement or liquidation judiciaire) may be initiated against or by a company only if it is insolvent and, with respect to liquidation proceedings only, if the company's recovery is manifestly impossible. The company is required to petition for judicial reorganization or liquidation proceedings (or for conciliation proceedings as discussed above) within 45 days of becoming insolvent. If it does not do so, de jure managers (including directors) and, as the case may be, de facto managers are exposed to civil liability.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the safeguard proceedings observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (mandataire judiciaire) or the State prosecutor, the court may convert safeguard proceedings into reorganization proceedings or liquidation proceedings if it appears that the debtor was already insolvent at the time of the court decision opening the proceedings. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State prosecutor and the workers' representatives (if any).

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

As soon as judicial reorganization or judicial liquidation proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable. In the event of judicial reorganization proceedings, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor elaborate a draft judicial reorganization plan which is similar to a safeguard plan), or the sale of the business or the liquidation of debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*). Judicial reorganization proceedings broadly take place in a manner that is similar to safeguard proceedings (see above), subject to certain specificities.

In particular, the rules relating to creditor consultation, especially the powers of the court adopting the judicial reorganization plan (*plan de redressement*) in the event of rejection by the creditors of proposals made to them, are the same (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the State prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité)* or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court in

In reorganization proceedings, in case the shareholders' minimum equity has not been restored to the minimum amount required by law in accordance with Article L.626 3 of the French Commercial Code, the administrator may appoint an administrator (*mandataire de justice*) in charge of convening an extraordinary meeting of shareholders and voting on the same on behalf of the shareholders opposed to such restoration provided that the draft restructuring plan provides for a modification of the equity reduction in favor of one or more third party(ies) undertaking to comply with such plan.

In judicial reorganization proceedings, committees of creditors may be created as for safeguard proceedings (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the State prosecutor or at its own initiative, order the liquidation of the company. At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls within the meaning of the French labor code one or more companies having together at least 150 employees, (ii) its disappearance is likely to cause serious harm to the national or regional economy and (iii) the modification of its share capital seems to be the only credible way to avoid such harm and allow the continued operation of the business as a going concern, after (a) review of the options for a total or partial sale of the business and at the request of the court-appointed administrator or of the State prosecutor and (b) at least 3 months have elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either;

- appoint a court officer (mandataire) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan, or

- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital increase and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings; the minority shareholders have the right to withdraw from the company and request that their shares be purchased by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by a court-designated expert designated by the court in summary proceedings.

In either case above, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (mandataire judiciaire). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

The aim of liquidation proceedings is to liquidate the debtor by selling its business, as a whole or per branch of activity, or its individual assets. The court may commence a judicial liquidation rather than a judicial reorganization when it considers that the debtor is unable to continue its business or that there are no serious chances of improving the company's prospects through restructuring.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (extinction du passif), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;

- in the event where there are insufficient funds to pay off the creditors, by appointing a mandataire in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

Both the judicial reorganization and the liquidation proceedings trigger an automatic stay of proceedings for the benefit of the debtor. However, in judicial liquidation proceedings, secured creditors benefiting from a pledge may request to enforce their security interest through a court-monitored foreclosure (attribution judiciaire) (i.e., request the court to transfer ownership of the pledged asset).

Hardening period (*période suspecte*) and Void and Voidable Transactions in judicial reorganization and judicial liquidation proceedings.

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be up to 18 months before the date of the court order. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved (homologation) a conciliation agreement. The date of insolvency is important because it marks the beginning of the hardening period (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it. Certain transactions undertaken during such "hardening" period may become void or voidable (.Void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the company significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner that is not commonly used in the ordinary course of business, any escrow ordered as security or as a provisional measure by a judicial decision if such decision is not final when reorganization or liquidation proceedings are commenced, security granted for debts previously incurred, any provisional attachment or seizure measures (unless the writ of attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless the transfer is made as a security for an indebtedness entered into simultaneously), modifications to existing trust arrangements (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*).

Voidable transactions include transactions or payments for due debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteurs*), seizures (*saisie attribution*) and oppositions made during the hardening period, if the party dealing with the company knew that it was insolvent at the time the transaction was entered into or at the time the payment is made. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings.

Status of Creditors During In-Court Proceedings (Safeguard, Accelerated Safeguard Proceedings, Judicial Reorganization or Judicial Liquidation)

Contractual provisions pursuant to which the commencement of the safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization or judicial liquidation proceedings constitutes an event of default are not enforceable against the debtor. Nor are "contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (contrats en cours) which it believes the debtor will not be able to continue to perform. Conversely, the administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of reorganization proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (plan de cession) (which it may do for a period of three months, renewable once); in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the “plan for the sale of the business” or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded);

- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (connexes) debts and payments authorized by the insolvency judge (juge commissaire) to recover assets for which recovery is justified by the continued operation of the business);

- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings, unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;

- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:

- to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);

- to terminate a contract for non-payment of amounts owed by the creditor; or

- to enforce the creditor’s rights against any assets of the debtor except where such asset- whether tangible or intangible, movable or immovable-is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 5 of the New Insolvency Regulation;

- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment for services rendered pursuant to an ongoing contract (*contrats en cours*), will be required.

In accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings (see above).

As a general rule, creditors whose debts arose prior to the commencement of the proceedings must file a claim with the court appointed mandataire judiciaire within two months of the publication of the court order in the Bulletin Officiel des Annonces Civiles et Commerciales; this period is extended to four months for creditors domiciled outside France. Creditors on whose behalf no claim has been submitted during the relevant period are, during the relevant period are, except for limited exceptions, barred from receiving distributions made in accordance with the proceedings. Employees are not subject to such limits and are preferential creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors’ representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors’ representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors’ representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proof of claim within the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months’ time limit). Creditors that did not take part in the conciliation proceedings would have to file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a plan of sale of the business (plan de cession), the proceeds from the sale will be allocated for the payment of creditors according to the ranking of their claims. If the court decides to order the judicial liquidation of the debtor, the liquidator appointed by the court will be in charge of settling the debtor's debts in accordance with their ranking.

French insolvency court, law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien, (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim related to such asset.

Credit Providers' Liability

Pursuant to article L. 650-1 of the French Commercial Code (Code de commerce), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors having provided financing to the debtor may only be held liable for the losses suffered as a result of the provision of such financings, if the granting of such facilities was wrongful and, in addition, in the event of: (i) fraud, (ii) interference with the management of the debtor, or (iii) the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Limitations on guarantees

Corporate benefit, financial assistance and other limitations

As described in "Corporate and Financing Structure", certain guarantees and securities have been granted by companies incorporated in France, and security has been granted over assets located in France.

In certain circumstances, where a French company acts in breach of its requirement to act for its corporate benefit, its officers may incur civil and/or criminal liability. In addition, under French law, a French court may, under certain circumstances, set aside a guarantee granted by a French company if such company derives no corporate benefit.

While the granting of guarantees by a parent company with respect to the obligations of its subsidiary are deemed to be, in principle, for the corporate benefit of the parent company, the granting of cross or upstream guarantees by a subsidiary may be more problematic from that perspective.

Furthermore, under French financial assistance rules, a company limited by shares may not advance funds, grant loans or grant security for the purposes of the subscription or the acquisition of its own shares by a third party. Breach of French financial assistance rules may result in criminal liability for the officers of the company acting in breach of these rules and their accomplices. Moreover, a court could declare any guarantee given in breach of such rules unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor.

Based upon the above, guarantee limitation language has been agreed in this transaction with respect to the Guarantees to be granted by Guarantors incorporated under the laws of France (each, a "French Guarantor") in respect of the payment obligations of the Issuer under the Notes:

- the obligations and liabilities of a French Guarantor under its Guarantee will not include any obligation or liability which, if incurred, would constitute the provision of financial assistance within the meaning of article L.225-216 of the French Commercial Code or any other laws having the same effect and/or would constitute a misuse of corporate assets or corporate credit within the meaning of articles L.241-3, L. 242-6 or L.244-1 of the French Commercial Code; and

- the aggregate obligations and liabilities of a French company under its Guarantee for the obligations of the Issuer under the Notes shall be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on lent by the Issuer to, or used to refinance any indebtedness previously on-lent directly or indirectly to that French Guarantor or any of its subsidiaries under intercompany loans or similar arrangements and outstanding at the time a demand is made from such French Guarantor under its Guarantee, it being specified that any payment made by any such French Guarantor under its Guarantee shall reduce pro tanto the outstanding amount of the intercompany loans (if any) due by such French Guarantor under the intercompany loan arrangements referred to above.

However, the balance of such intercompany loans, which are financed directly or indirectly with the proceeds of the Notes, will increase and decrease in the ordinary course of business, in line with the needs of the business and availability of such proceeds for other utilizations.

In addition, if a Guarantor receives, in return for issuing the guarantee, an economic return that is less than the economic benefit such Guarantor would obtain in a transaction entered into on an arm's length basis, the difference between the actual economic benefit and that in a comparable arm's-length transaction could be taxable under certain circumstances.

The existence of a real and adequate benefit to any Guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

A French insolvency court may also refuse to enforce a guarantee if it is determined that the grantor was insolvent at the time the guarantee was granted and that the relevant secured party had knowledge, at the time the guarantee was granted, of such insolvency.

Limitation on Enforcement of Security Interests

Security interests governed by French law may only secure payment obligations and may only be enforced following a payment default up to the secured amount that is due and remaining unpaid.

Under French law, generally speaking, pledges over assets may be enforced at the option of the secured creditors either (a) before a court (i) by way of a sale of the pledged assets in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of the judicial foreclosure of the pledged assets or (b) by way of contractual foreclosure (pacte commissoire) of the pledged assets to the secured creditors, following which (in either case) the secured creditors become the legal owner of the pledged assets. Enforcement by way of private sale (not being contractual foreclosure) may not be agreed at the time of granting of the security and, therefore, the holders of the Notes will not benefit from such enforcement method.

If the secured creditors choose enforcement by way of foreclosure (whether judicial or contractual), the secured liabilities will be deemed extinguished up to the value of the foreclosed assets. Such value is determined either by the judge in the context of a judicial foreclosure or by an expert (pre-contractually agreed or appointed by a judge) in the context of a contractual foreclosure. If the value of the pledged assets exceeds the amount of the secured liabilities, the secured creditors will be required to pay to the relevant pledgor an amount (soulte) equal to the difference between the value of the foreclosed assets and the amount of the secured liabilities. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the foreclosed assets. On the contrary, if the value of such foreclosed assets is less than the amount of the secured debt, the remaining amount owed to such creditors will be unsecured.

Should the beneficiaries of the Notes Collateral decline to request the judicial or contractual foreclosure of the securities, enforcement of the pledged securities could be undertaken through the sale of the pledged shares by public auction. Because public auction procedures are not designed for a sale of a business as a going concern, it is possible that the sale price received in any such auction might not reflect the value of the group as a going concern.

Parallel Debt

Under French law, certain “accessory” security interests such as pledges require that the pledgee and the creditor be the same person. Such security interests cannot be held on behalf of the creditors by third parties that do not hold the secured claim, unless they act as fiduciary under Article 2011 of the French Civil Code or as security agent under Articles 2488-6 to 2488-12 of the French Civil Code. The Intercreditor Agreement will provide for the creation of a Parallel Debt. Pursuant to the Parallel Debt, the Security Agent will become the holder of a claim equal to each amount payable by an obligor under the Indenture and the Intercreditor Agreement. The pledges governed by French law will directly secure the Parallel Debt, and the other indebtedness secured by the Notes Collateral and will not directly secure the obligations under the Notes. Although the French Supreme Court (Cour de cassation) has held (in a decision dated September 13, 2011 (Cass. com. 13 September 2011 n°10 -25533 Belvedere) rendered in the context of safeguard proceedings opened in France) that, subject to certain conditions being met, the concept of “parallel debt” governed by the laws of the State of New York was not incompatible with the French law concept of international public policy (ordre public international), this decision cannot be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt obligation and no assurance can be given that such a structure will be effective in all cases before French courts. There is no certainty that the Parallel Debt construction will eliminate or mitigate the risk of unenforceability under French law. To the extent that the security interests in the Notes Collateral created under the Parallel Debt structure are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the security interest in the Notes Collateral.

Trust

A concept of “trust” has been recognized for tax purposes by article 792-0 bis of the French Tax Code and the French Supreme Court (Cour de cassation) has held, in the Belvedere decision referred to above in respect of the parallel debt concept, that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the La Haye Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of “trust” has not been generally recognized under French law.

Fraudulent Conveyance

French law contains specific provisions dealing with fraudulent conveyance both in and outside insolvency proceedings, the “action paulienne” provisions. The action paulienne offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party’s obligations, and or enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors’ representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l’exécution du plan*), insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor that was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the relevant creditor or, in the case of the person’s insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance. If a court found that the issuance of the Notes, the granting of the security interests in the Notes Collateral, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes, the granting of the security interests in the Notes Collateral or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not benefit from the Notes or the security interests in the Notes Collateral and the value of any consideration that holders of the Notes received with respect to the Notes or the security interests in the Notes Collateral could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by affected creditors of the Issuer as a result of the fraudulent conveyance.

Luxembourg

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

Corporate power

Limits on corporate power can either be imposed (i) by law or (ii) by the articles of association of the Issuer.

1. Limitations imposed by law.

Pursuant to the Luxembourg Civil Code, a company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the Issuer's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances when there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee/security interest could be challenged for lack of any interest by the guarantor in providing the guarantee/security interest.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitation on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

2. Limitations imposed by the articles of association.

The provision of guarantees or security interests by a company must be within the limits of the object clause of its articles of association.

Should the provision of a guarantee or security by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, the Issuer is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

Corporate authority

When a Luxembourg company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

Corporate benefit

The third condition for a guarantee/security interest to be granted by a Luxembourg company is that the proposed action by the Issuer must be "in the corporate interest of the Issuer", which words are a translation of the French *intérêt social*, an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior". Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In that context, the concept of a group of companies may be relevant, and while it should first be analyzed whether a transaction is in the best interest of the Issuer on a standalone basis, it should also be examined whether the transaction is justified in the light of the interest at the level of the group, which may result in a benefit for the guarantor.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economic, social, or financial policy applicable throughout the whole group;
- the existence of a group should be evidenced through capital links; or
- the proposed action must not (i) be without any consideration, or alternatively (ii) break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee.

However, the failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the guarantee/security interest so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or
- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee/security interest granted; or
- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the guarantee/security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the guarantee/security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the “assisting” company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;
- the guarantee must not exceed the assisting company’s financial means;
- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and
- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above have to be applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor.

As a result, the guarantees (upstream and cross stream) granted by a Luxembourg company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under the transaction documents.

The Indenture contains the following limitation language:

The guarantee granted by any Guarantor which is incorporated and/or having its registered office and its place of central administration in Luxembourg (a "**Luxembourg Guarantor**") for the obligations of the Issuer which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall be limited at any time to an aggregate amount not exceeding:

(A) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or subsidiaries of that Luxembourg Guarantor (which are subsidiaries of that Luxembourg Guarantor on the Issue Date or which are subsidiaries of that Luxembourg Guarantor hereafter) by the Issuer which have been funded directly or indirectly with proceeds deriving from the sale of the Notes increased by

(B) the greater of:

(1) 90% of the sum of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Annex I to the Luxembourg Grand-Ducal Regulation dated 18 December 2015 setting out the form and content of the presentation of the balance sheet and profit and loss account enforcing, Article 34 of the Luxembourg Act of 19 December 2002 on the commercial register and annual accounts, as amended (the "**2002 Act**") as at the Issue Date (whether as original party or by way of accession); or

(2) 90% of the sum of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Annex I to the Luxembourg Grand-Ducal Regulation dated 18 December 2015 setting out the form and content of the presentation of the balance sheet and profit and loss account enforcing, Article 34 of the 2002 Act, as at the date on which a demand is made under the Notes; or

(3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Agent or if the Agent so decides by a Luxembourg statutory approved auditor (*réviseur d'entreprise agréé*) (an "**Independent Auditor**") as at the Issue Date (whether as original party or by way of accession); or

(4) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as at the date on which a demand is made under the Notes).

Security interests considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement over present and future shares must be registered in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;

- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;

- court adjudication of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or

- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in Article 20(4) of the Collateral Act 2005, a third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

Registration in Luxembourg

Under the Luxembourg law, it is not necessary that any of the transaction documents be filed, recorded or enrolled with any court or other authority or that any stamp, registration, notorial or similar taxes or fees be paid on or in relation to, or the transactions contemplated by, any of the transaction documents except:

(i) for any fees payable in respect of registrations required in respect of any transaction documents (where applicable); and

(ii) in case if the transaction documents are either (a) attached as an annex to an act (*annexés à un ade*) that itself is subject to mandatory registration or (b) deposited in the minutes of a notary (*déposés au rang des minutes d'un mataire*). In such cases, as well as in case of a voluntary registration, the transaction documents will be subject to registration duties payable by the party registering, or being ordered to register, the transaction documents.

Depending on the nature of the transaction documents, such registration duties would be *ad valorem* or fixed.

Insolvency

Altice Lux Bis, Altice Lux and certain of our Guarantors are incorporated under the laws of Luxembourg, and as such any insolvency proceedings applicable to such a company is in principle governed by Luxembourg law.

The insolvency laws of Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Luxembourg. In the event that a Luxembourg company experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (collectively referred to as "insolvency proceedings") may be opened against a company incorporated in Luxembourg having its center of main interests in Luxembourg or an establishment within the meaning of the New Insolvency Regulation (in relation to secondary proceedings):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the Issuer or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Issuer: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court finds that these conditions are satisfied, it may open bankruptcy proceedings on its own motion. The main effect of such proceedings is the suspension of all measures of enforcement against the Issuer, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors and under which a court may order a provisional suspension of payments, including a stay of enforcement of claims by secured creditors; or

- composition proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the Issuer (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity that violates criminal laws or that are in serious breach or violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow rules similar to those applicable to bankruptcy proceedings. Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;

- VAT and other taxes and duties owed to the Luxembourg Customs and Excise;

- social security contributions; and

- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Luxembourg company's liabilities in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency law may affect transactions entered into or payments made by a Luxembourg company during the period before the opening of the insolvency proceedings. If the liquidator or administrator (including, without limitation, in relation to a Luxembourg company, any *commissaire, juge-commissaire, liquidateur* or *curateur* or similar official) can show that the Luxembourg company has given "preference" to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, a Luxembourg court has the power to void the "abnormal" transaction. If the liquidator or administrator can show that: (i) a payment in relation to a due debt was made during the hardening period (*période suspecte*, which is a maximum of six months and ten days preceding the judgment declaring the opening of the insolvency proceedings) that is disadvantageous to the general body of creditors; and/or (ii) the party receiving such payment is shown to have known that the bankrupt party had ceased to make payments when such payment occurred, a Luxembourg court has the power, among other things, to void the preferential transaction.

In particular:

- pursuant to Article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts that have fallen due by any means other than in cash or by a bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to Article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments;

- pursuant to Article 448 of the Luxembourg Code of Commerce and Article 1167 of the Civil Code (*action paulienne*) the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit; and

- pursuant to Article 21(2) of the Collateral Act 2005, a financial collateral arrangement entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures is valid and binding against third parties, administrators, insolvency receivers or liquidators notwithstanding the suspect period referred to in Articles 445 and 446 of the Luxembourg Code of Commerce, if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the Issuer or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the Issuer. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. After having converted all available assets of the Issuer into cash and after having determined all the Issuer's liabilities, the insolvency receiver will distribute the proceeds of the sale, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs. Insolvency proceedings may therefore have a material adverse effect on a Luxembourg company's business and assets and the Luxembourg company's respective obligations under the notes.

The bankruptcy receiver decides whether or not to continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the bankruptcy receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an early termination or acceleration event; and

- *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment since the debtor is no longer responsible for the management of the Issuer. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party that are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or seek a court order to have the relevant contract dissolved. The counterparty may not require specific performance of the contract.

International aspects of Luxembourg bankruptcy, controlled management or voluntary arrangement with creditors' proceedings may be subject to the New Insolvency Regulation.

Pursuant to the New Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the Issuer concerned has its "center of main interests" (as that term is used in Article 3(1) of the New Insolvency Regulation). The determination of where any such company has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "center of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the New Insolvency Regulation that any such company has its center of main interests in the Member State in which it has its registered office, Preamble 30 of the New Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where a company conducts the majority of its business and the location where the majority of a company's creditors are established may all be relevant in the determination of the place where a company has its center of main interests. The time when a company's center of main interests is determined is at the time that the relevant insolvency proceedings are opened.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the Issuer under the New Insolvency Regulation would be opened in such jurisdiction, and, accordingly, a court in such jurisdiction would be entitled to open the types of insolvency proceedings referred to in Annex A to the New Insolvency Regulation. Insolvency proceedings opened in one Member State under the New Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the center of main interests of a debtor is in one Member State (other than Denmark) under Article 3(2) of the New Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary proceedings" only in the event that such debtor has an "establishment" (in the meaning of the New Insolvency Regulation) in the territory of such other Member State. The effects of those secondary proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If a company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the New Insolvency Regulation.

To the extent that our center of main interests is deemed to be outside Luxembourg, courts of such other jurisdictions may have jurisdiction over the insolvency proceedings of such company.

LEGAL MATTERS

Certain legal matters in connection with the offering have been passed upon for us by Ropes & Gray International LLP, as to matters of United States federal, New York and English law; by Luther S.A., as to matters of Luxembourg law; by Franklin, Nabarro & Hinge and Mayer Brown as to matters of French law.

Certain legal matters in connection with the offering have been passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal and New York law; by Latham & Watkins AARPI as to matters of French law and by NautaDutilh Avocats Luxembourg S.à r.l., as to matters of Luxembourg law.

INDEPENDENT AUDITORS

As stated in their reports, free English language translations of which are included elsewhere herein, Deloitte & Associés and KPMG Audit, a department of KPMG S.A., independent statutory auditors, have audited the consolidated financial statements for the Issuer as of and for the years ended December 31, 2017 (which include comparative figures as of and for the year ended December 31, 2016), December 31, 2016 (which include comparative figures as of and for the year ended December 31, 2015) and December 31, 2015 (which include comparative figures as of and for the year ended December 31, 2014), in accordance with professional standards applicable in France.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of the Republic of France. The Guarantors are organized under the laws of France, Luxembourg and the United States. Many of the directors and executive officers of the Issuer and the Guarantors are nonresidents of the United States and a substantial portion of the assets of such persons are located outside the United States. As a consequence, you may not be able to effect service of process on these non-U.S. resident directors and officers in the United States or to enforce judgments against them outside of the United States, including judgments of the U.S. courts predicated upon the civil liability provisions of the U.S. securities laws.

France

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French Entities and/or French Individuals.

The United States and France are not party to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (exequatur) in France before the relevant civil court (*Tribunal de grande instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non-ex parte) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is clearly connected to the jurisdiction of such court (i.e., there was no international forum-shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;

- such U.S. judgment does not contravene French international public policy rules, pertaining both to the merits and to the procedure of the case; and

- such U.S. judgment is not tainted with fraud.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e., those having a res judicata effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the res judicata effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) and/or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (law No. 78 17 of 6 January 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all of the remedies sought, although the French Supreme Court (Cour de cassation) has held that any French judge, when applying foreign law, must resolve the dispute in full compliance with the elected foreign law (Cour de cassation, decision n°00-15.734; June 28, 2005).

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French individuals. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant (Article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU. The French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Luxembourg

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment against an issuer incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set forth in Article 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the particular matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was obtained in compliance with the rights of the defendant, i.e., following proceedings at which the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; and

- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or have been given in proceedings of a criminal or tax nature.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if the choice of such foreign law was not made bona fide or if (i) the foreign law was not pleaded and proved or (ii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

LISTING AND GENERAL INFORMATION

Listing

Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Copies of the following documents may be obtained electronically or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and the Paying Agents so long as the Notes remain listed on the official list of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of such exchange require:

- the articles of association of the Issuer;
- organizational documents of the Guarantors;
- the Issuer's annual reports and quarterly reports and consolidated financial statements required to be provided under "*Description of Notes—Certain Covenants—Reports*";
- the Indenture;
- the Intercreditor Agreement; and
- the Notes Collateral Documents.

The Issuer will maintain (i) the U.S. Transfer Agent having its address at 60 Wall Street, 16th Floor, MS NYC60-1630, New York, New York 10005, United States, and (ii) the Euro Transfer Agent having its address at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

The Issuer reserves the right to vary such appointment and will publish notice of such change of appointment on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Pursuant to Part 1, Chapter 5, Item 502 of the rules and regulations of the Luxembourg Stock Exchange, the Notes are freely transferable on the Luxembourg Stock Exchange, for so long as the Notes are listed in the Official List of the Luxembourg Stock Exchange.

The gross proceeds of the offering of the Dollar Notes is $1,750 million and the gross proceeds of the offering of the Euro Notes is €1,000 million.

Clearing Information

Dollar Notes

The Dollar Notes sold pursuant to Regulation S and to Rule 144A have been accepted for clearance through the facilities of DTC and have been assigned the CUSIP numbers and ISINs set out in the table below.

	CUSIP	ISIN	Common Code
Rule 144A..	02156LAA9	US02156LAA98	185972429
Regulation S...	F0266LAA4	USF0266LAA47	185971180

Euro Notes

The Euro Notes sold pursuant to Regulation S and to Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear and have been assigned the common codes and ISINs set out in the table below.

	Common Code	ISIN
Rule 144A...	185933768	XS1859337682
Regulation S...	185933741	XS1859337419

Legal Information

The Issuer

The Issuer is a public limited liability company (*société anonyme*), with a Board of Directors (*conseil d'administration*) incorporated under the laws of France, registered under sole registration number

794 661 470 RCS Paris and having its registered office at 16, rue du Général Alain de Boissieu, 75015, Paris, France. At the date of the Offering Memorandum, the Issuer's share capital amounts to €443,706,618, divided into 443,706,618 shares, all of the same class, and all of which are fully paid and subscribed.

The Issuer is a holding company which conducts its operations indirectly through its operating subsidiaries.

According to Article 2 of the articles of association of the Issuer, the Issuer may (i) acquire or dispose of all securities, by way of subscription, purchase, transfer, merger, exchange, sale or otherwise, (ii) grant all kind of support, loans, advances, or guarantees to companies in which it has a direct or indirect participation, or to all companies which form part of the group of companies to which the Issuer belongs.

In general, the Issuer may likewise carry out all commercial, industrial, and financial transaction which may be related directly or indirectly, wholly or partly, to the corporate object mentioned above or to any related or complementary activity or which may be liable to enhance or to supplement its purpose.

The creation and issuance of the Notes has been authorised by resolutions of the Board of Directors of the Issuer dated July 6, 2018.

The Guarantors

SFR

Société Française du Radiotéléphone—SFR S.A. is a French limited liability corporation (*société anonyme*) with share capital of €3,423,265,598.40. Its registered office is located at 1, square Bela Bartok, 75015 Paris, France and it is registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 343 059 564.

Ypso Finance

Ypso Finance S.à r.l. has been incorporated as a private limited liability company (*société à responsabilité limitée*) under the laws of the Grandy Duchy of Luxembourg on June 22, 2011. The article of association of Ypso Finance S.à r.l. have been filed with the Luxembourg Trade and Companies Register and are published in the Mémorial C. Recueil des Sociétés et Associations dated September 7, 2011, under number 2079, page 99783 et seq. The registered office of Ypso Finance S.à r.l. is 121, rue de la Faiencerie, L-1511 Luxembourg. Ypso Finance S.à r.l. is registered with the Luxembourg Trade and Companies Register under number B161946.

Ypso Finance S.à r.l. has a share capital of €2,618,437.50 comprised of 2,992,500 shares with a nominal value of €0.875 each, all of which have been subscribed and fully paid-up.

According to Article 2 of the articles of association of Ypso Finance S.à r.l. relating to its corporate object, Ypso Finance S.à r.l. may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, the management, the control and the development of such participating interests.

Ypso Finance S.à r.l. may particularly use its funds for the setting-up, the management, the development and the disposal of a portfolio consisting of any securities and patents of whatever origin, participate in the creation, the development and the control of any enterprise, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatever, any type of securities and patents, realize them by way of sale, transfer, exchange or otherwise, have developed these securities and patents. Ypso Finance S.à r.l. may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Ypso Finance S.à r.l. has an interest or which form part of the group of companies to which Ypso Finance S.à r.l. belongs (including shareholders or affiliates).

In general, Ypso Finance S.à r.l. may carry out any financial, commercial, industrial, personal or real estate transactions, take any measure to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purposes or which are liable to promote their development or extension. Ypso Finance S.à r.l. may borrow in any form and proceed to the issuance of bonds or any other instruments which may be convertible.

Altice B2B France

Altice B2B France is a French *société par actions simplifiée* having its registered office at 1, square Bela Bartok, 75015 Paris, France registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 499 662 757. At the date of the Offering Memorandum, Altice B2B France's share capital amounts to €322,800,980.76, divided into 447,500,604 shares, all of the same class, and all of which are fully paid and subscribed.

Ypso France

Ypso France is a French *société par actions simplifiée* having its registered office at 10, rue Albert Einstein, 77420 Champs-sur-Marne, France registered with the Meaux Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 484 348 131. At the date of the Offering Memorandum, Ypso France's share capital amounts to €74,707,200, divided into 7,470,720 shares, all of the same class, and all of which are fully paid and subscribed.

Completel

Completel is a French *société par actions simplifiée* having its registered office at 1, square Bela Bartok, 75015 Paris, France registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 418 299 699. At the date of the Offering Memorandum, Completel's share capital amounts to €146,648,525.88, divided into 67,269,966 shares, all of the same class, and all of which are fully paid and subscribed.

SFR Fibre

SFR Fibre (formerly NC Numericable S.A.S.) is a French *société par actions simplifiée* having its registered office at 10, rue Albert Einstein, 77420 Champs-sur-Marne, France registered with the Meaux Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 400 461 950. At the date of the Offering Memorandum, SFR Fibre's share capital amounts to €78,919,817.50, divided into 517,507 shares, all of the same class, and all of which are fully paid and subscribed.

Numericable U.S. S.A.S

Numericable U.S. S.A.S is a French *société par actions simplifiée*, having its registered office at 1, square Bela Bartok, 75015 Paris, France registered with the Paris Trade and Companies Register (*Registre du Commerce et des Sociétés*) under number 801 376 161. At the date of the Offering Memorandum, Numericable U.S. S.A.S's share capital amounts to €37,608,579, divided into 37,608,579 shares, all of the same class, and all of which are fully paid and subscribed.

Numericable U.S. LLC

Numericable U.S. LLC is a Delaware limited liability company, having its registered office at 901 N. Market St, Suite 705, Wilmington, County of New Castle, Delaware 19801, United States.

Management

For details on the management of the Issuer, please see "*Management of the Group*".

SFR is managed by Alain Weill as President (*Président*), François Vauthier as General Manager (*Directeur Général*) and by a board of directors composed by three members being:

1. François Vauthier;

2. Laurence Gonnet; and

2. Florence Renaud.

Ypso Finance is managed by a board of managers composed of three members being:

1. Giordano Catherine;

2. Rosati Violène; and

3. Vauthier François.

Altice B2B France is managed by François Vauthier as President (*Président*).

SFR Fibre is managed by Alain Weill as President (*Président*), and François Vauthier and Armando Pereira as General Managers (*Directeurs Généraux*).

Completel is managed by Alain Weill as President (*Président*) and Français Vauhtier and Armando Pereira as General Managers (*Directeurs Généraux*).

Ypso France is managed by François Vauthier as President (*Président*).

Numericable U.S. S.A.S is managed by François Vauthier as President (*Président*).

Numericable U.S. LLC is managed by François Vauthier as President (*Président*).

Business Year

The business year for the Issuer begins on the first day of January and ends on the last day of December of each year.

The business year for all of the French Guarantors begins on the first day of January and ends on the last day of December of each year.

The business year for Ypso Finance S.à r.l. begins on the first day of January and ends on the last day of December of each year.

The business year for Numericable U.S. LLC begins on the first day of January and ends on the last day of December of each year.

Auditors

The independent auditors of the Issuer are Deloitte & Associés and KPMG Audit, a department of KPMG S.A.

Listing Particulars

As of the date of the Offering Memorandum, the Issuer's most recent audited financial statements available were as of and for the year ended December 31, 2017. Except as disclosed in the Offering Memorandum, there has been no significant or material adverse change in the financial positions of the Issuer or the Guarantors since December 31, 2017.

Except as disclosed in the Offering Memorandum, neither the Issuer nor the Guarantors is or has been involved in any governmental, legal or arbitration proceeding relating to claims or amounts that, individually or in the aggregate, are material in the context of the issuance of the Notes and may have, or have had during the twelve months preceding the date of the Offering Memorandum, a significant effect on the Issuer's or the Guarantors' financial position or profitability. So far as we are aware, having made all reasonable inquiries, there are no such litigation, arbitration or governmental proceedings pending or threatened.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the Issuer's knowledge and belief, the information contained in these Listing Particulars with regard to the Issuer is in accordance with the facts and does not omit anything likely to affect the import of such information. However, the information set forth under the headings "*Exchange Rate Information*", "*Summary*", "*Industry, Competition and Market Overview*", "*Business of the Group*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and does not accept further responsibility in respect thereof.

The Trustee

The Trustee is Deutsche Bank Trust Company Americas and its address is 60 Wall Street, 16th Floor, MS NYC60-1630, New York, New York 10005, United States. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to such holders of the Notes as described in the Indenture.

GLOSSARY

“3D-TV”............ Three dimensional television is a technology used to project a television program into a realistic three-dimensional field.

“3G/3G+” .... See UMTS (3G) and HSDPA (3G+).

“4G” .... The fourth generation of mobile phone technology standards, providing very-high-speed broadband access.

“5G New Radio” .... A new air interface being developed for 5G mobile communications.

“ADSL” (Asymmetrical Digital Subscriber Line)............ ADSL is the most commonly used variant of DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over copper telephone lines. Asymmetric Digital Subscriber Lines normally have three to four times more bandwidth available for purposes of data downloads as compared to data uploads.

“All-IP” .... All services (internet, telecommunications and video) are carried through Internet Protocol by a federative IP backbone.

“Analog”............ Comes from the word “analogous”. In telephone transmission, the signal being transmitted (voice, video or image) is “analogous” to the original signal.

“ARCEP” .... French telecommunications and posts regulator (*Autorité de régulation des communications électroniques et des postes*).

“ARPU” (Average Revenue Per User)............ Average revenue per user is a B2C measure used to evaluate how effectively the Group is realizing potential revenues from the Group’s direct digital subscribers. It is calculated on yearly and quarterly basis by dividing the Group’s total direct digital subscription related revenue, excluding installation and carriage fees, for the period considered by the average number of the Group’s direct digital subscribers served in that period. This definition may be different for other companies, including SFR.

“Backbone” .... The principal data routes between interconnected networks.

“Backbone network” .... Fiber optic backbone transmission network for long distance and very high capacity.

“Backhauling” .... Transporting data to the backbone network.

“Bit” (Binary Digit)............ Elementary information unit with binary coding (0 or 1) used by digital systems.

“Broadband”............ A general term used to describe wide bandwidth equipment or systems. Broadband communications systems can deliver multiple channels and other services.

“Bulk subscriber” .... Cable subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

“Cable TV”............ A broadband network employing radio frequency transmission over coaxial and/or fiber optic cable to transmit multiple channels carrying images, sound and data between a central facility and individual customers' television sets.

"Catch-Up Television"

A television service that allows viewing programs after their original broadcast.

"Centrex"

A private branch exchange-like service providing switching at a central office instead of at the customer's premises. The telecommunications provider owns and manages the communications equipment necessary to implement the Centrex service and sells services to the customer.

"Churn"

In the B2C segment, the discontinuance of services to a customer either voluntarily or involuntarily. It is the percentage measure of the number of subscribers disconnected during a particular period (either at the subscriber's request or due to a termination of the subscription by the Group) divided by the number of subscribers at the beginning of the period, excluding transfers between the Group's products. This definition may be different for other companies, including SFR.

"Cloud computing"

Concept which allows the transfer on distant servers of storage and data processing traditionally held on local servers or the user's hardware.

"Coaxial Cable"

Electrical cable with an inner conductor, surrounded by a tubular insulating layer.

"CPE" (Customer Premises Equipment)

Material set up at the customer's home which provides broadband services use such as voice ports, channel banks, set-top boxes, cable broadband routers or embedded Multimedia Terminal Adaptor.

"CRM"

Customer Relationship Management.

"Digital"

The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as voice or music, are encoded digitally by sampling the voice or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: first, digital signals can be reproduced more precisely so digital transmission is "cleaner" than analog transmission and the electronic circuitry necessary to handle digital is becoming cheaper and more powerful; and second, digital signals require less transmission capacity than analog signals.

"DSL" (Digital Subscriber Line)

DSL is generic name for a range of digital technologies relating to the transmission of internet and data signals from the telecommunications service provider's central office to the end customer's premises over the standard copper wire used for voice services.

"DTT" (Digital Terrestrial Television)

A terrestrial broadcasting mode using digital technology, in which video and audio signals are digitized and organized within a single stream. They are then modulated and broadcast terrestrially (through airwaves). DTT provides a clearer picture and superior sound quality when compared to analog television, with less interference. DTT is an alternative to receiving broadcasts through cable and satellite operators.

“Dual-play” or “double-play”
Broadband subscriber package including two services: internet access and IP telephony.

“Ethernet”
Technology for local network connections with computers connected by a combination of network interface cards installed on each PC and by cables linking the workstations at a rate of 10 Mbps, 100 Mbps, 1 Gbps or 10 Gbps. In an Ethernet network, each workstation may initiate a transmission at any time.

“EuroDocsis 2.0”
International telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system. EuroDocsis 2.0 broadband routers have the capacity to achieve download speeds of up to 30 Mbps with the use of one downstream port. EuroDocsis 2.0B (or “wide-band Docsis”) broadband routers have the capacity to achieve download speeds of up to 100 Mbps with the use of three downstream ports.

“EuroDocsis 3.0”
International telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system. EuroDocsis 3.0 broadband routers have the capacity to achieve download speeds of up to 400Mbps with the use of eight downstream ports.

“Free-to-air”
Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.

“FTTB” (Fiber-To-The-Building)
Fiber optics to the entry point of a building.

“FTTH” (Fiber-To-The-Home)
Connection by optical fiber directly to the subscriber’s home, ensuring very-high-speed transmission compatible with triple-play packages.

“FTTO” (Fiber-To-The-Office)
Fiber optic access dedicated to offices (FTTO).

“GB”(gigabyte)
Gigabyte, commonly abbreviated as GB. See “MB”.

“Gbits/s”
Billions of bits (10 power 9) transferred per second on a transmission network. See “—*Bit*”.

“GHz” (gigahertz)
One billion hertz (a unit of frequency).

“GSM” (Global System for Mobile Communications)
A comprehensive digital network for the operation of all aspects of a cellular telephone system.

“HD” (High Definition)
A technology used notably in video, television and photography that has a resolution substantially higher than that of standard systems and is capable of producing an image characterized by fine detail, greater quality and better sound reproduction.

“HDTV” (High Definition Television)
A type of television image transmission that uses HD resolution. HDTV has twice as many scan lines per frame as a standard definition television system, a sharper image, better sound reproduction and a wide-screen format.

“Head-ends”
A collection of hardware, typically including a backbone router, satellite receivers, modulators and amplifiers which collects, processes and combines signals for distribution within the cable network.

“HFC” (Hybrid Fiber Coaxial)
A technology developed by the cable TV industry to provide two-way high-speed data access to the home

using a combination of fiber optics and traditional coaxial cable.

“High Speed Broadband Market”....................... Broadband with above 30 Mbps speed capability.

“Homes connected/passed” .... A home is deemed “connected” or “passed” if it can be connected to the distribution system without further extension of the network.

“HSDPA” (High Speed Downlink Package Access)... Evolution of the third generation (3G) mobile telephony norm UMTS, also called 2.5G or 3G+. It offers, thanks to an upgraded software, performances tend times greater than 3G technology (UMTS). It supports high speeds in bundled form on the download side.

“HTML5” (HyperText Markup Language 5”..... The fifth and most recent revision of HTML, the standard programming language for structuring and presenting content on the internet.

“IP” (Internet Protocol) .... Internet Protocol is used for communicating data across a packet switched network. It is used for transmitting data over the internet and other similar networks. The data are broken down into data packets, each data packet is assigned an individual address, and then the data packets are transmitted independently and finally reassembled at the destination.

“IP Centrex” .... IP servers are located in the Group’s data center and used by SMEs for VoIP.

“IPTV” (Internet Protocol Television) .... The transmission of television content using IP over a network infrastructure, such as a broadband connection.

“IRU” (Indefeasible Right of Use) .... Long-term contract ensuring the temporary ownership, over the term of the contract, of a portion of the capacities of a duct, a cable or a fiber.

“IT” (Information Technology).......................... A general term referring to the use of various software and hardware components when used in a business.

“LAN” (Local Area Network)............................ A network that interconnects computers in a limited area such as within a building.

“LAN to LAN”... Ethernet interconnection service between sites through a LAN connection at long distances.

“Local loop” .... Section of the network connecting the operator’s point of presence to individual subscriber households.

“LTE” (Long Term Evolution)........................... Name of a project aiming to produce technical specifications of future fourth generation (4G) mobile network norms. By extension, LTE designates fourth generation mobile systems, which arose out of this project.

“M2M” .... Machine to machine.

“Mb” (megabyte)... Megabyte, commonly abbreviated as Mb, is a multiple of the unit byte for digital information storage or transmission, generally used to refer to for computer storage. A megabyte (Mb) is different from a megabit (Mbit): a byte is a unit of information which is defined as a multiple of a bit (one byte equals eight bits).

“Mbps” .... Megabits per second; a unit of data transfer rate equal 1,000,000 bits per second. The bandwidths of broadband networks are often indicated in Mbps.

“Middleware” ... Middleware is computer software that provides services to software applications beyond those available from the operating system.

“MMS” (Multimedia Message Service) ... A system that enables cellular phones to send and receive pictures and sound clips as well as text messages between wireless devices.

“MNO” (Mobile Network Operator) ... Access solution for multiple services (internet, television and VoIP) through a single broadband access point.

“Multi-play” ... Access solution for multiple services (internet, television and VoIP) through a single broadband access point.

“MVNO” (Mobile Virtual Network Operator) ... Mobile operators that use third party network infrastructures to provide their own mobile telephone services.

“OTT content” or “over-the-top content” ... Broadband delivery of video and audio without the internet service provider being involved in the control or distribution of the content itself. It refers to content received from a third party and delivered to the end-user device with the internet provider being exclusively responsible for transporting IP packets.

“Premium pay-TV” ... Premium pay-TV includes high-value channels providing premium content and corresponds to CanalSat and Canal+ content. Other channels included in pay-TV are low-value and low-price channels.

“Quadruple-play” ... Triple-play and mobile telephony.

“RGU” (Revenue Generating Unit) ... Each subscriber receiving cable TV, broadband internet, fixed telephony or mobile telephony services over the Group’s network. Thus, one subscriber who receives all of the Group’s services would be counted as four RGUs.

“Router” ... A device that provides access to the internet for multiple computers. It typically includes a network switch with several Ethernet ports for wired connections to desktop and laptop computers. The router also provides network address translation, which allows multiple users to reach the internet with one public IP address assigned by the cable or telephone company to the service.

“SAN” (Storage Area Network) ... A high-speed special purpose network that interconnects data storage devices with associated data servers.

“SAN to SAN” ... Interconnection service provided through a SAN connection.

“SD” (Standard Definition) ... Television and video broadcasting standard, offering viewers an image with a resolution of 720 pixels (horizontal) by 576 pixels (vertical).

“SDH” (Synchronous Digital Hierarchy) ... A standard technology for synchronous data transmission on optical media.

“Set-top box” ... The electronics box which connects television to incoming digital video signal.

“Sites connected” ... A corporate or public sector site is deemed “connected” if it is connected to the Group’s network.

“Smart card” ... A pocket sized card with embedded integrated circuits which, when used with a digital receiver, enables the

Group’s subscribers to decrypt and receive the Group’s digital television service.

“SME” (Small and Medium-sized companies)... The computing market for companies with between 2 and 200 employees.

“SMS” (Short Message Service) .... A system that allows mobile telephone users to send and receive text messages between wireless devices.

“Subscriber access nodes”................................. Points on the edge of the access network that concentrate individual access lines into a smaller number of feeder lines.

“Symmetric regulation”..................................... Regulation applicable to all operators offering the same service, in contrast to asymmetric regulation, applicable only to operators recognized as having significant market power by a regulatory authority.

“TNT” (*Télévision Numérique Terrestre*) (Digital Terrestrial Television)........................ A land-based (terrestrial) broadcast television system.

“Triple-play” .... Subscriber offering telephony, internet and cable TV services through one access channel.

“UMTS” (Universal Mobile Telecommunications System) .... Third generation (3G) mobile telephony norm allowing a high speed communication (up to 2 Mbit/s, theoretically symmetrical).

“unbundling” .... Procedure which allows other providers to use the passive infrastructures of the historical operator’s proprietary local copper-wire loop in order to market their own services to end-users. In order to do this, B2B unbundling customers must install their own equipment at the historical operator’s main distribution frames (subscriber access nodes). These wholesale services are regulated by ARCEP.

“unlimited”.. With respect to quadruple-play packages, refers to unlimited calls within the limit of a fair usage, as is customarily applied in the French mobile market.

“VDSL” (Very-high-bit-rate Digital Subscriber Line).. A variant of DSL; an internet access technology that provides faster data transmission than ADSL over copper telephone lines, at speeds of up to 52 Mbps downstream and 16 Mbps upstream and up to 100 Mbps downstream in VDSL2.

“VGA”... Video graphics array; a computing standard that has a resolution of 640 x 480 pixels with colours or 320 x 200 pixels with 256 colours.

“VOD” (Video-On-Demand) .... VOD is service that provides subscribers with enhanced playback functionality and gives them access to a broad array of on-demand programming.

“VoIP” (Voice over Internet Protocol)............... The transportation of voice services using IP technologies.

“VPN” (Virtual Private Network) .... A VPN extends a private network across a public network.

“White Label”.. A production service produced by one entity, the producer, that another entity, the marketer, rebrands and distributes to make it appear as if it had made it.

"xDSL" .... Asymmetrical DSL connection where the download speed (from the network to the client) is higher speed than the upload speed (from the client to the network).

"Wifi" (Wireless Fidelity) .... Technology enabling the connection of wireless equipment using radio waves in the 2.4 GHz wavelength, at speeds of 11 Mbps (802.11b standard), 54 Mbps (802.11g standard) or 540 Mbps (802.11n standard). By extending the Ethernet protocol to cover radio services, Wifi offers businesses and individuals the ability to wirelessly connect several computers or shared devices in a network over distances that may reach several dozen meters.

"Wholesale".. The carrier-to-carrier market for telecommunication services.

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Altice France
(formerly SFR Group)

Condensed consolidated financial statements

for the three-month period
ended March 31, 2018

Altice France
16, rue du Général Alain de Boissieu
75015 Paris

Altice France S.A.

Statutory Auditors' review report on the interim condensed consolidated financial statements

To the Chairmain and Chief Executive Officer of Altice France S.A.,

In our capacity as statutory auditors of Altice France S.A. (the "Company" and together with its subsidiaries, the "Group") and at your request for the purposes of an offering memorandum prepared in the context of an international offering in the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and outside the United States in accordance with Regulation S under the Securities Act, as amended ("Regulation S"), of senior secured notes to be issued by the Company, we have reviewed the accompanying interim condensed consolidated financial statements of the Group for the period from January 1, 2018 to March 31, 2018, as they are attached to this report.

These interim condensed consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (*Compagnie nationale des commissaires aux comptes*) related to this engagement. A review primarily consists of making inquiries of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34—standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the changes in accounting policies regarding IFRS 9—Financial Instruments and IFRS 15—*Revenue from Contracts with Customers*, applied from January 1, 2018, as set out in Notes 1.3 "New standards and interpretations" and 19 "Restated information" to the interim condensed consolidated financial statements.

This report was prepared for your attention in the context described above and must not be used, distributed or referred to for any other purpose.

This report shall be governed by, and construed in accordance with French law and professional standards applicable in France. The Courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Paris La Défense, on July 6, 2018

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Deloitte & Associés

Grégoire Menou
Partner

Emmanuel Gadret
Partner

Julien Razungles
Partner

Altice France

Condensed consolidated financial statements for the three-month period ended March 31, 2018

Consolidated Statement of Income

	March 31, 2018	March 31, 2017 restated(*)
	(in € millions)	
Revenues	**2,576**	**2,661**
Purchasing and subcontracting	(852)	(990)
Other operating expenses	(654)	(660)
Staff costs and employee benefit expenses	(183)	(239)
Depreciation, amortization and impairment	(613)	(564)
Non-recurring income and expenses	(220)	(103)
Operating income	**54**	**105**
Financial income	1	1
Cost of gross financial debt	(188)	(193)
Other financial expenses	(12)	(14)
Net financial income (expense)	**(200)**	**(207)**
Share in net income (loss) of associates	(0)	1
Income (loss) before taxes	**(146)**	**(101)**
Income tax income (expense)	24	14
Net income (loss) from continuing operations	**(122)**	**(88)**
Net income (loss) from discontinued operations	**—**	**—**
Net income (loss)	**(122)**	**(88)**
• **Group share**	**(119)**	**(86)**
• **Non-controlling interests**	**(3)**	**(2)**

(*) Refer to Note 19—Restated information

Altice France

Condensed consolidated financial statements for the three-month period ended March 31, 2018

Consolidated Statement of Comprehensive Income

	March 31, 2018	March 31, 2017 restated(*)
	(in € millions)	
Net income (loss)	**(122)**	**(88)**
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustments	0	(1)
Cash flow hedges	(104)	126
Related taxes	27	(32)
Other items related to associates	0	0
Items that will not be subsequently reclassified to profit or loss:		
Actuarial gain (loss)	—	—
Related taxes	—	—
Comprehensive income (loss)	**(199)**	**5**
Of which:		
Comprehensive income (loss), Group share	*(196)*	*7*
Comprehensive income (loss), Non-controlling interests	*(3)*	*(2)*

(*) Refer to Note 19—Restated information

Altice France

Condensed consolidated financial statements for the three-month period ended March 31, 2018

Consolidated Statement of Financial Position

	March 31, 2018	December 31, 2017 restated(*)
	(in € millions)	
Assets		
Goodwill	11,199	11,199
Intangible assets	6,401	6,519
Contracts costs	156	152
Property, plant and equipment	6,491	6,424
Investments in associates	26	23
Non-current financial assets	536	736
Deferred tax assets	3	12
Other non-current assets	215	195
Non-current assets	**25,027**	**25,259**
Inventories	324	289
Trade and other receivables	3,632	3,616
Contracts assets	236	266
Income tax receivable	142	151
Current financial assets	4	17
Cash and cash equivalents	354	451
Assets held for sale	77	(0)
Current assets	**4,768**	**4,791**
Total Assets	**29,795**	**30,050**

	March 31, 2018	December 31, 2017 restated(*)
	(in € millions)	
Equity and liabilities		
Share capital	444	444
Additional paid- in capital	5,403	5,403
Reserves	(2,942)	(2,738)
Equity attributable to owners of the company	**2,904**	**3,108**
Non-controlling interests	(88)	(85)
Consolidated equity	**2,816**	**3,023**
Non-current borrowings and other financial liabilities	16,725	16,854
Other non-current financial liabilities	229	248
Non-current provisions	457	476
Non-current contracts liabilities	477	455
Deferred tax liabilities	281	357
Other non-current liabilities	123	112
Non-current liabilities	**18,291**	**18,503**
Current borrowings and financial liabilities	494	351
Other current financial liabilities	1,095	1,107
Trade payables and other liabilities	6,155	6,045
Current contracts liabilities	544	517
Income tax liabilities	105	105
Current provisions	174	350
Other current liabilities	41	49
Liabilities directly associated to assets held for sale	81	(0)
Current liabilities	**8,688**	**8,524**
Total Equity & liabilities	**29,795**	**30,050**

(*) *Refer to Note 19—Restated information*

Consolidated Statement of Changes in Equity

Equity attributable to owners of the company

	Capital	Additional paid-in capital	Reserves	Other comprehensive income	Total	Non-controlling interests	Consolidated equity
				(in € millions)			
Position at December 31, 2016	**443**	**5,388**	**(1,854)**	**(367)**	**3,609**	**(37)**	**3,572**
IFRS 15—Retrospective application	**—**	**—**	**251**	**—**	**251**	**—**	**251**
Restated position at December 31, 2016	**443**	**5,388**	**(1,603)**	**(367)**	**3,860**	**(37)**	**3,823**
Dividends paid	—	—	—	—	—	—	—
Comprehensive income	—	—	(86)	93	7	(2)	5
Issuance of new shares	0	0	—	—	1	—	1
Share-based compensation	—	—	0	—	0	—	0
Purchase of treasury shares	—	—	(0)	—	(0)	—	(0)
Other movements	—	—	1	—	1	(0)	1
Restated position at March 31, 2017	**443**	**5,388**	**(1,688)**	**(274)**	**3,869**	**(39)**	**3,830**
Dividends paid	—	—	—	—	—	(7)	(7)
Comprehensive income (loss)	—	—	(676)	(59)	(736)	(20)	(755)
Issuance of new shares	1	15	—	—	16	—	16
Share-based compensation	—	—	2	—	2	—	2
Purchase of treasury shares	—	—	1	—	1	—	1
Other movements[(a)]	—	—	(43)	—	(43)	(19)	(63)
Restated position at December 31, 2017	**444**	**5,403**	**(2,405)**	**(333)**	**3,108**	**(85)**	**3,023**
IFRS 9—Prospective application	**—**	**—**	**21**	**—**	**21**	**—**	**21**
Position at January 1st, 2018	**444**	**5,403**	**(2,384)**	**(333)**	**3,130**	**(85)**	**3,045**
Dividends paid	—	—	—	—	—	—	—
Comprehensive income (loss)	—	—	(198)	(77)	(275)	(3)	(278)
Issuance of new shares	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	—	—
Other movements[(b)]	—	—	(30)	—	(30)	—	(30)
Position at March 31, 2018	**444**	**5,403**	**(2,532)**	**(410)**	**(2,904)**	**(88)**	**(2,816)**

(a) Of which compensation paid to SFR stock-options holders following the buyout offer: € 34 million (refer to Note 26—Share-based payments in the Group's 2017 annual consolidated financial statements).

(b) Revalorisation of the put option of ACL.

Breakdown of changes in equity related to other comprehensive income

	December 31, 2016 restated(*)	March 31, 2017 restated(*)	Change	December 31, 2017 restated(*)	March 31, 2018	Change
			(in € millions)			
Hedging instruments	(498)	(373)	126	(442)	(546)	(104)
Related taxes	140	108	(32)	114	141	27
Actuarial gains and losses	(10)	(10)	—	(10)	(9)	0
Related taxes	1	1	—	2	2	(0)
Foreign currency translation adjustments	(2)	(3)	(1)	(1)	(1)	0
Items related to associates	3	3	0	3	3	0
Total	**(367)**	**(274)**	**93**	**(333)**	**(410)**	**(77)**

(*) *Refer to Note 19—Restated information*

Altice France

Condensed consolidated financial statements for the three-month period ended March 31, 2018

Consolidated Statement of Cash Flows

	March 31, 2018	March 31, 2017 restated[*]
	(in € millions)	
Net income, Group share	**(119)**	**(86)**
Adjustments:		
Non-controlling interests	(3)	(2)
Depreciation, amortization and provisions	433	524
Share in net income (loss) of associates	0	(1)
Net income from sale of property, plant and equipment and intangible assets	2	27
Net financial expense (income)	200	207
Income tax expense (income)	(24)	(14)
Other non-cash items	0	1
Income tax paid	(7)	(19)
Change in working capital	188	(261)
Net cash flow provided (used) by operating activities	**671**	**378**
Acquisitions of property, plant and equipment and intangible assets	(571)	(491)
Acquisition of consolidated entities, net of cash acquired	(19)	(24)
Acquisitions of other financial assets	(10)	(3)
Disposals of property, plant and equipment and intangible assets	3	15
Disposal of consolidated entities, net of cash disposals	(0)	—
Disposal of other financial assets	5	6
Change in working capital related to property, plant and equipment and intangible assets	(95)	(142)
Net cash flow provided (used) by investing activities	**(687)**	**(638)**
Purchases of treasury shares	—	0
Capital increase	0	1
Dividends paid	—	—
• *to owners of the company*	—	—
• *to non-controlling interests*	—	—
Dividends received	1	—
Issuance of debt	330	—
Repayment of debt	(14)	(13)
Interest paid	(336)	(406)
Other flows from financing activities[a]	(0)	474
Net cash flow provided (used) by financing activities	**(20)**	**56**
Net increase (decrease) in cash and cash equivalents	**(36)**	**(204)**
Exchange rate impact on cash in foreign currencies	**(0)**	**(0)**
Net cash and cash equivalents at beginning of period	**373**	**400**
Net cash and cash equivalents at end of period	**337**	**196**
of which cash and cash equivalents	*354*	*318*
of which bank overdrafts	*(17)*	*(122)*

[*] *Refer to Note 19—Restated information*

[a] *Of which: €(35) million of commercial paper and €62 million of reverse factoring as of March 31, 2018 and €356 million of commercial paper as of March 31, 2017.*

Altice France

Condensed consolidated financial statements for the three-month period ended March 31, 2018

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1. Basis of preparation of the consolidated financial statements

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

Altice France (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, ...).

As of March 31, 2018, 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 interim consolidated financial statements for the three-month period ended March 31, 2018 based on the annual consolidated financial statements for the year ended December 31, 2017.

1.1. Basis of preparation of financial information

On May 15, 2018, the Company's Board of Directors approved the interim condensed consolidated financial statements for the three-month period ended March 31, 2018. These financial statements were restated to account for material post balance sheet events that occured since May 15, 2018 and reissued for use by the Board on July 6, 2018 (see Note 18—*Subsequent Events*).

The interim condensed consolidated financial statements for the three-month period ended March 31, 2018 were prepared in accordance with IAS 34—*Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

They should be read in conjunction with the Group's 2017 annual consolidated financial statements.

The interim condensed consolidated financial statements were prepared in accordance with the same principles as for December 31, 2017, excepted for new standards effective on January 1, 2018.

The Group has applied for the first time IFRS 15—*Revenue from Contracts with Customers* and IFRS 9—*Financial Instruments*, leading to restate the consolidated financial statements of previous periods. As IAS 34 requires, the nature and impact of these restatements are presented in Note 19—*Restated Information*.

1.2. Use of estimates and judgements

In preparing the Group's financial statements, Management makes estimates insofar as many factors included in the financial statements cannot be measured accurately. The assumptions on which key estimates are based are the same as those described in Note 3—*Use of estimates and judgements* of the consolidated financial statements for the year ended December 31, 2017, excepted for new assumptions related to IFRS 15. Management reviews such estimates as the circumstances on which they are based change or as a result of new information or additional experience. Consequently, the estimates made as of March 31, 2018 may be significantly modified in subsequent periods, and actual amounts may differ from estimates.

In addition to the description in note 3—Use of estimates and judgment of the annual consolidated financial statements and with respect to revenue recognition, judgment and estimates are made for the determination of the enforceable period that is used for the recognition of contract assets and the amortization of the contract costs.

1. Basis of preparation of the consolidated financial statements (Continued)

1.3. New standards and interpretations

Standards and interpretations applied from January 1, 2018

The application from January 1, 2018 of the mandatory standards and amendments are listed below and will leaid to a change of accounting policies as presented in note 2—*Accounting policies and methods* in annual consolidated financial statements.

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 supersedes all current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

Revenue recognition

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.

In accordance with IFRS 15, the revenue recognition model includes five steps for analyzing transactions so as to determine when to recognize revenue and at what amount:

- Identifying the contract with the customer,
- Identifying separate performance obligations in the contract,
- Determining the transaction price,
- Allocating the transaction price to separate performance obligations,
- Recognizing revenue when the performance obligations are satisfied.

For bundled packages, the Group accounts for individual products and services separately if there are distinct—i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the market prices at which the Group sells the mobile devices and telecommunications services.

This leads to the recognition of a contract asset—a receivable arising from the customer contract that has not yet legally come into existence—in the statement of financial position. The contract asset is reversed over the enforceable period. Enforceable period has been determined for each company. It represents the period over which rights and obligation are enforceable. This period is determined not only by the commitment period as stated in the contract but also by business practices and contracts mechanisms (early renewal, exit options, penalties and other clauses).

1. Basis of preparation of the consolidated financial statements (Continued)

Revenues from Mobile devices

The Group recognizes revenues when a customer takes possession of the device. This usually occurs when the customer signs a new contract. The amount of revenue includes the sale of mobile devices and ancillary equipment for those devices. For mobile devices sold separately, customers pay in full at the point of sale or in several installments (credit agreement). For mobile devices sold in bundled packages, customer usually pay monthly in equal installments over the contractual period.

Revenue from services

Revenues from subscriptions for basic cable services, digital television pay, Internet and telephony (fixed and mobile) are recognized in revenue on a straight-line basis over the subscription period; revenues from telephone calls are recognized in revenue when the service is rendered.

Installation revenue

Installation service revenue is deferred and recognized over the benefit period. For B2B customers, the benefit period is the contract term. For B2C, the benefit period is less than one year.

Agent versus principal

The Group determines whether it is acting as a principal or as an agent. The Group is acting as a principal if it controls a promised good or service before they are transferred to a customer.

Indicators for acting as a principal include: (i) the Group is primarily responsible for fulfilling the promise to provide the specified good or service, (ii) the Group has inventory risk in the specified good or service and (iii) the Group has discretion in establishing the price for the specified good or service.

On the other hand, the Group is acting as an agent or an intermediary, if these criteria are not met. When the Group is acting as an agent, revenue is presented on a net basis in the statement of income. When the Group is acting as principal, revenue is presented on a gross basis.

Contract costs

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Commissions to third parties and sales incentives to internal employees are considered as costs to obtain a contract and are recognized under the balance sheet caption “contract costs”.

Assets recognized as contract costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The asset may relate to goods or services to be transferred under a specific anticipated contract. The amortization charge is recognized in the income statement caption “Depreciation, amortization and impairment”.

As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

The Group has adopted IFRS 15 for annual period beginning on January 1, 2018, in accordance with the full retrospective method by restating 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 (January 1, 2017, refer to Note 19—Restated Information).

1. Basis of preparation of the consolidated financial statements (Continued)

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.

IFRS 9 allows two methods for measurement:

- Amortized cost: this is the original amount minus principal repayments, cumulative amortizations and impairments. The amortized cost must be determined by using the effective interest rate method,
- Fair value: this is the amount for which an asset could be exchanged or a liability paid, between two willing parties, in an arm's length transaction.

Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables, and Loans included under balance sheet caption "Financial assets" (non-current and current portion).
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. The Groups has no instrument in this new category.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its quoted and unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.
- Financial assets at FVPL comprise derivative instruments. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

1. Basis of preparation of the consolidated financial statements (Continued)

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at the asset's original effective interest rate.

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Hedge accounting

As allowed under IFRS 9, the Group continues to apply the requirement of IAS 39 related to hedge accounting.

Financial liabilities restructuring

Based on the IFRS 9, the Group removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

The Group implemented the standard based on the simplified retrospective approach (refer to Note 19—*Restated Information*).

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, 2018 and that may impact the amounts reported.

- IFRS 16—*Leases*, effective on or after January 1, 2019;
- Annual improvements cycle 2017-2019, effective on or after January 1, 2019;
- IFRIC 23—*Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019.

1. Basis of preparation of the consolidated financial statements (Continued)

- IFRS 9 amendments—*Prepayment Features with Negative Compensation*, effective on or after January 1, 2019.

The impacts of implementing these news standards and amendments are currently being analysed by the Group. It is not practicable to provide a reasonable estimate of the quantitative effects of IFRS 16 until the project have been completed.

2. Significant events of the period

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 N.V. also announced that existing sports content wholesale contracts between Altice France and Altice 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 of €300 million as part of the renegotiation. This amount has been recorded as expenses as of March 31, 2018.

Altice Europe will reorganize its structure comprising Altice France, Altice International and Altice 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 €710million 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.

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.

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 for the amounts of €77 million and €81 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.

2. Significant events of the period (Continued)

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. The signing of an agreement is expected during the first half year of 2018 (Refer to Note 18—*Subsequent events*).

3. Change in scope

In the three-month period ended March 31, 2018, the main changes in scope as described in Note 34—*List of consolidated entities* to the Group's 2017 annual consolidated financial statements, concen the entry in the Group of two new DSP (Martinique THD and Connect 76) and the transfer of all assets and liabilbities ("Transmission Universelle de Patrimoine") of Decovery and Technologues Culturels to Groupe l'Express.

4. Revenue

The breakdown of revenue by segment is detailed as follows:

	March 31, 2018	March 31, 2017 restated
	(in € millions)	
Mobile-service	1,011	1,020
Mobile-equipment sales	183	167
Fixe	981	1,028
Wholesale	290	318
Media	111	127
Total	**2,576**	**2,661**

5. 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:

	March 31, 2018	March 31, 2017 restated
	(in € millions)	
Operating income	**54**	**105**
Depreciation, amortization and impairment	613	564
Restructuring costs	(0)	16
Costs relating to stock option plans	—	0
Other non-recurring costs[(a)]	220	90
Adjusted EBITDA	**888**	**776**

[(a)] *As of March 31, 2018, includes the break-up fee with Altice Entertainment News & Sport (€(300) million). Refer to Note 2—Signific ant events of the period). These costs also include the write back of provisions related to various litigations following settlement agreements and judgments received in June 2018.*

6. Financial income

Financial income is broken down below:

	March 31, 2018	March 31, 2017 restated
	(in € millions)	
Cost of gross financial debt	**(188)**	**(193)**
Other financial income	1	1
Financial income	**1**	**1**
Provisions and unwinding of discount	(4)	(6)
Other	(8)	(8)
Other financial expenses	**(12)**	**(14)**
Net financial income (expense)	**(200)**	**(207)**

The cost of gross financial debt decreased from €193 million as of December 31, 2017 to €188 million as of March 31, 2018.

7. Income tax expense

For interim condensed financial statements, the tax expense or tax income on profit or loss is determined in accordance with IAS 34, based on the best estimate of the annual average tax rate expected for the full fiscal year, restated for non-recurring items (which are recorded in the period as incurred).

8. Other non-current assets

Other non-current assets are detailed as follows:

	March 31, 2018	December 31, 2017 restated
	(in € millions)	
Derivative financial instruments[a]	447	650
Other	89	86
Non-current financial assets	536	736
Other non-current assets[b]	215	195
Other non- current assets	**752**	**931**

(a) Refer to Note 12—Derivative instruments.

(b) Of which €205 million of non- current prepaid expenses compared to €184 million as of December 31, 2017.

9. Cash and cash equivalents

Cash and cash equivalents are broken down below:

	March 31, 2018	December 31, 2017 restated
	(in € millions)	
Cash	291	385
Cash equivalents[a]	62	66
Cash and cash equivalents	**354**	**451**

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

10. Equity

As of March 31, 2018, Altice France's share capital amounted to €443,706,618 comprising 443,706,618 ordinary shares with a par value of €1 each.

Date	Transaction	Shares issued
December 31, 2017		**443,706,618**
January to March		—
March 31, 2018		**443,706,618**

11. Financial liabilities

11.1. Financial liabilities breakdown

Financial liabilities break down as follows:

	Current		Non-current		Total	
	March 31, 2018	December 31, 2017 restated	March 31, 2018	December 31, 2017 restated	March 31, 2018	December 31, 2017 restated
			(in € millions)			
Bonds	91	274	10,780	10,993	10,871	11,267
Term loans[(a)]	404	77	4,875	5,005	5,279	5,082
Derivative instruments	—	—	1,069	856	1,069	856
Borrowings	**494**	**351**	**16,725**	**16,854**	**17,219**	**17,206**
Finance lease liabilities	48	33	13	40	61	73
Perpetual subordinated notes ("TSDI")	—	—	50	50	50	50
Deposits received from customers	45	52	155	147	200	200
Bank overdrafts	17	78	—	—	17	78
Securitization	239	248	—	—	239	248
Reverse factoring	618	556	—	—	618	556
Commercial paper	—	35	—	—	—	35
Other[(b)]	127	104	11	12	138	116
Other financial liabilities	**1,095**	**1,107**	**229**	**248**	**1,323**	**1,355**
Financial liabilities	**1,589**	**1,458**	**16,953**	**17,103**	**18,542**	**18,561**

(a) This amount includes €330 million of RCF and a NextRadioTV term loan (€25 million of which €6 million at short term).

(b) As of March 31, 2018, this amount includes €100 million related to the fair value of the put and call options as part of the acquisition of NextRadioTV (€70 million as of December 31, 2017).

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

- As of March 31, 2018: €1 = 1.2327 USD
- As of December 31, 2017: €1 = 1.2022 USD

11. Financial liabilities (Continued)

11.2. Net financial debt

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

	March 31, 2018	December 31, 2017 restated
	(in € millions)	
Bonds	10,821	11,038
Term loans	5,347	5,103
Finance lease liabilities	61	73
Commercial paper	0	35
Bank overdrafts	17	78
Other financial liabilities	54	55
Financial Liabilities contributing to net financial debt[(a)]	**16,299**	**16,381**
Cash and cash equivalents	354	451
Net derivative instruments—currency translation impact	256	547
Financial Assets contributing to net financial debt[(b)]	**610**	**998**
Net financial debt (a)—(b)	**15,690**	**15,383**

(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). All these liabilities are converted at the closing exchange rates. Refer to Note 11.3—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 (€256 million as of March 31, 2018 and €547 million as of December 31, 2017). The fair value of derivatives related to the exchange rate impacts (€(878) million as of March 31, 2018 and €(753) million as of December 31, 2017) is not included.*

11. Financial liabilities (Continued)

11.3. Reconciliation between net financial liabilities and net financial debt

The following table shows the reconciliation between net financial liabilities in the consolidated statement of financial position and the net financial debt:

	March 31, 2018	December 31, 2017 restated
	(in € millions)	
Financial liabilities	18,542	18,561
Cash and cash equivalents	(354)	(451)
Derivative instruments—asset	(447)	(650)
Net financial debt—consolidated statement of financial position	**17,741**	**17,460**
Reconciliation:		
Net derivative instruments—rate impact	(878)	(753)
Accrued interest	(153)	(335)
EIR	190	148
Perpetual subordinated notes ("TSDI")	(50)	(50)
Deposits received from customers	(200)	(200)
Securitization	(239)	(248)
Reverse factoring	(618)	(556)
Debt on share purchase	(101)	(71)
Dividend to pay	(2)	(2)
Current accounts	(0)	(9)
Other	(1)	(2)
Net financial debt	**15,690**	**15,383**

11.4. 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.

		Consolidated statement of cash flows			
	December 31, 2017 restated	Net cash flow —financing activities	Other flows	Other flows —non cash	March 31, 2018
		(in € millions)			
Non-current borrowings and other financial liabilities	16,854	(14)	—	(116)	16,725
Other non-current financial liabilities	248	(11)	—	(8)	229
Non-current financial liabilities	**17,103**	**(25)**	**—**	**(125)**[2]	**16,953**
Current borrowings and financial liabilities	351	(6)	—	149	494
Other current financial liabilities	1,107	12	(55)	31	1,095
Current financial liabilities	**1,458**	**6**	**(55)**[1]	**180**[3]	**1,589**
Financial liabilities	**18,561**	**(19)**	**(55)**	**55**	**18,542**

[1] *Of which bank overdraft for €(60) million;*

11. Financial liabilities (Continued)

2. Of which change effect for €(290) million, EIR for €(39) million and change in fair value of derivative instruments for €213 million. It should be noted that flows related to EIR include IFRS 9 impact for €(56) million (change in accounting method as of January 1, 2018);

3. Of which accrued interests for €185 million, change in fair value of swaps for €(31) million and change in fair value of the put and call options of ACL for €30 million.

11.5. Fair value hierarchy of financial assets and liabilities

The following table show the net carrying amount and the fair value of the Group's financial instruments:

	March 31, 2018		December 31, 2017 restated	
	Net carrying amount	Fair value	Net carrying amount	Fair value
	(in € millions)			
Assets				
Trade and other receivables*	3,485	3,485	3,484	3,484
Derivative instruments classified as assets	447	447	650	650
Non-current financial assets	89	89	86	86
Other non-current assets	11	11	11	11
Current financial assets	4	4	17	17
Cash and cash equivalents	354	354	451	451
Liabilities				
Non-current borrowings and financial liabilities[1]	15,665	15,348	15,998	16,206
Derivative instruments classified as liabilities	1,069	1,069	856	856
Other non-current financial liabilities	229	229	248	248
Other non-current liabilities*	123	123	112	112
Current borrowings and financial liabilities	495	495	351	351
Other financial liabilities	1,095	1,095	1,107	1,107
Trade payables and other liabilities	6,236	6,236	6,045	6,045
Other current liabilities*	41	41	49	49

* *Excluding prepaid expenses and contracts assets and liabilities*

[1] *This amount includes a NextRadioTV term loan (€25 million of which €6 million at short term).*

No significant events occurred in the three-month period ended March 31, 2018 that would affect the fair value of financial assets and liabilities (including no transfer into or out of a fair level value and no change in the measurement methods used).

12. Derivative instruments

The following table shows the derivative instruments fair value:

Type	Underlying element	March 31, 2018	December 31, 2017 restated
		(in € millions)	
Cross-currency Swaps	2022 USD bonds	314	459
	2024 USD bonds	9	59
	2026 USD bonds	(654)	(450)
	January 2026 USD term loan	(59)	(49)
	January 2026 USD term loan	(111)	(89)
	July 2025 USD term loan	20	50
	Fixed rate—Floating rate USD	(123)	(176)
	January 2026 USD term loan	(18)	(12)
Interest rate swaps	Fixed rate—EURIBOR 3 months	0	1
	Derivative instruments classified as assets	447	650
	Derivative instruments classified as liabilities	(1,069)	(856)
	Net Derivative instruments	**(622)**	**(206)**
	o/w currency effect	256	547
	o/w interest rate effect	(878)	(753)

In accordance with IFRS 9, 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).

13. Provisions

The following table details the amount of provisions:

	March 31, 2018					
	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
Employee benefit plans	124	3	(0)	(0)	—	127
Restructuring[(a)]	46	—	(12)	—	0	35
Technical site restoration[(b)]	97	—	—	—	—	97
Litigation and other[(c)]	559	2	(51)	(122)	(16)	372
Provisions	**826**	**5**	**(63)**	**(122)**	**(16)**	**631**
Current provisions	*350*	—	*(54)*	*(1)*	*0*	*174*
Non-current provisions	*476*	*5*	*(9)*	*(0)*	*(16)*	*457*

(a) *Concern mainly the reversal of provision of the Telecom division for €(10) million.*

(b) 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.

13. Provisions (Continued)

(c) *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 16—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 2017 is presented below:

	December 31, 2017 restated					
	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
Employee benefit plans	161	15	(1)	(49)	(2)	124
Restructuring	146	746	(766)	(46)	(35)	46
Technical site restoration	119	3	(11)	—	(15)	97
Litigation and other	811	231	(201)	(301)	19	559
Provisions	**1,236**	**996**	**(978)**	**(396)**	**(32)**	**826**
Current provisions	*396*	*839*	*(826)*	*(43)*	*(17)*	*350*
Non-current provisions	*840*	*157*	*(152)*	*(354)*	*(15)*	*476*

14. 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.

As of March 31, 2018, the overview of these transactions was as follows:

	March 31, 2018	March 31, 2017 restated
	(in € millions)	
Total income	15	15
Total expenses	(360)	(147)
Total	**(345)**	**(133)**

As of March 31, 2018, the significant changes in the statement of income concern:

- Decrease in purchase of customer services from Altice Management International and Intelcia: €11 million,
- Decrease in purchase of TV channels programs, including sports channel, (saving of €98 million) from Altice Entertainment News & Sport and Ma Chaîne Sport offset by €300 million of break-up fee (refer to Note 2—*Significant events of the period*).

Investments made (especially construction and deployment of networks with ATS) amounted to €89 million as of March 31, 2018 compared to €60 million as of March 31, 2017.

14. Related party transactions (Continued)

As a consequence of the contract renegociation of TV channels with Altice Entertainment News & Sport, the commitments are expected to decrease of an amount of €1 billion.

15. Commitments and contractual obligations

There was no significant change in the commitments and contractual obligations undertaken or received by the Group as described in the Group's 2017 annual consolidated financial statements, excepted for commitments related to purchase of TV channels programs, as mentioned in the previous note.

16. Litigation

In the normal course of business, the Group is subject to a number of lawsuits and governmentalarbitration and administrative proceedings as a plaintiff or a defendant.

This Note discloses significant disputes that have appeared or significantly changed since the publication of 2017 consolidated financial statements and that have had or may have a material impact on the Group's financial position.

16.1. 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. On February 24, 2015, the Paris District court ruled that eight clauses included in the general terms of subscription were unfair and ordered SFR to publish the ruling on its website and three daily print publications. SFR was also asked to pay € 30,000 in damages to the CLCV. This decision was not executory and SFR appealed this ruling on April 16, 2015. The case was pleaded before the court of appeals of Paris on October 19, 2017.

On March 30, 2018, the Appeals court of Paris ruled that seven (of the fifty or so clauses which the CLCV claimed were unfair/abusive) were unfair and demanded that SFR publish the entire ruling on its website preceded by the phrase,'legal communique' and ordered SFR to remove said clauses from the general terms of subscription with a penalty of upto 300 euros per day of delay.

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. The Group paid the fine in June 2018.

16. Litigation (Continued)

16.2. Other disputes

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 fully contests the facts and has intiated its own evaluation of damages suffered before intiaitng its own demands against Canal Plus.

In addition to the disputes listed above, there were significant developments in some other litigation, more information on which is provided in Note 18—*Subsequent Events*.

17. 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.

18. Subsequent events

Acquisition by Altice France of the minority stake held by News Participations in Altice Content Luxembourg

On April 5, 2018, Altice France acquired the minority stake held by News Participations (NP) in Altice Content Luxembourg (ACL) for the amount of €100 million by exercing the call option it held on NP's 25% stake in ACL. This amount was recognized in liabilities as of March 31, 2018.

Approval of the "Conseil Supérieur de l'Audiovisuel" (CSA) for taking exclusive control of NextRadioTV

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 by increasing its stake in the holding company GNP to 100%.

On April 20, 2018, the CSA announced its approval for the acquisition of an additional stake in NextRadioTV by Altice France. The convergence between Telecom and Media, initiated since July 2015 with the acquisition of 49% of NextRadioTV by Altice (then acquired in 2016 by Altice France), has reached a new step by obtaining all clereance to acquire the remaining 51% stake held by News Participations in GNP.

Creation of "SFR Pylônes"

Owning passive infrastructures (pylons, masts, rooftop) enables SFR to have the necessary potential to create the biggest "Towerco" (Tower Company) in France and one of the biggest in Europe.

18. Subsequent events (Continued)

In order to develop this activity, Altice France created a new entity called “SFR Pylônes”. This will be an independent enough to carry out its mission of operating its tower park and business development.

SFR Pylônes is a long-term industrial project. Given the large number of sites, their singular location and to the quality of the infrastructures, SFR Pylônes will have all assets to be a key player in this growing market.

Closing of the previously announced acquisitions of Altice Customer Services and Altice Technical Services

On May 16, 2018 the Group successfully closed the acquisitions of Altice Customer Services and Altice Technical Services as previously announced.

Altice France acquired a 65% stake in the capital of Altice Customer Services from Altice International for a total consideration of €64 million, of which €30 million for the shares of the company and €34 million in financial assets held by Altice International against Altice Customer Services. The seller has consented to a vendor note to Altice France for the total amount of the consideration transferred.

Altice France also acquired a 100% stake in Altice Technical Services from Altice International for a total consideration of €175 million.

Settlement agreement with Orange

On June 18, 2018, the Group agreed on a settlement with Orange, whereby both parties mutually agreed to desist from certain ongoing legal provisions. As part of the agreement, Orange has agreed to drop the litigations concerning compensation disputes with SRR in the Reunion Islands and the overflows case against SFR and Completel. See note 33, “Litigations” to the consolidated financial statements of the Group for the year ended December 31, 2017.

Decision of the Paris court of appeals in the “SFR against Orange: abuse of dominant position in the second homes market” case

On June 8, 2018, the Paris court of appeals rejected Orange’s appeal against the fine levied and paid by Orange in a decision previously rendered by the French Supreme Court in a 2016 ruling. Orange had paid €52.7 million to SFR following the ruling. Orange retains the possibility of refiling an appeal with the Supreme Court.

19. Restated information

The consolidated financial statements as of December 31, 2017 and as of March 31, 2017 have been restated for the impacts of IFRS15. The consolidated statement of financial position as of January 1, 2018 has been restated for the impacts of IFRS9. Refer to Note 1—*Basis of preparation of the consolidated financial statements*.

IFRS 15—*Revenue from Contracts with Customers*

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* for annual period beginning on January 1, 2018, in accordance with the full retrospective method by restating 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 (January 1st 2017).

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 the ‘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

19. Restated information (Continued)

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 details of the significant changes and quantitative impact of the changes are set out below.

Mobile activities:

The most significant impact is 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 quantitative impact of IFRS 15 at the opening balance is detailed below:

- Shareholders' equity as of December 31, 2017 increased by €251 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 decreased by €95 million and €78 million, respectively, for the year ended December 31, 2017. The impact is mainly linked to:
  - The handsets subsidies adjustments as described above linked to a decrease in the sale of mobile bundles offers over the last years.
  - Change in the scope of commissions capitalized under IFRS 15.
- Thus net result for the year ended 2017 decreased by €69 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. The Group implemented the standard based on the simplified retrospective approach; the transition impact was recorded in equity as of January 1, 2018 with no impact on 2017 and can be broken as follows:.

- Financial liabilities restructuring: €41 million,
- Bad debt provision: €(20) million.

19. Restated information (Continued)

Main impacts of IFRS 9 are explained below:

- Based on the IFRS 9 guidance, financial liabilities that have been renegotiated in previous period, where the renegotiated terms were considered as a non-substantial modification of the initial terms (cash flows modified in a proportion equal to or lower than 10%), requires a specific treatment upon transition to IFRS 9. Under IFRS 9, the Company should use the original effective interest rate to calculate the carrying value of the debt which is the present value of the modified future cash flows. Under IAS 39, for financial liabilities that have been renegotiated, the effective interest rate is changed on a prospective basis, with no income statement impact at the renegotiation date. For restructuring of financial liabilities that have been treated as extinguishment of debt, there is no impact under IFRS 9.
- Based on the IFRS 9 guidance, the Group has applied the simplified model for trade receivables and contracts assets (without significant financing component) and has applied the expected credit loss model (i.e. including forward looking information) on assets (i.e. trade receivables not yet due and contract assets IFRS 15 Revenue from Contracts with Customers). Under currents standard, the bad debt was calculated based on incurred losses.
- The new standard also implies change of classification in financial assets.

19.1. Consolidated Statement of Financial Position

	December 31, 2017	IFRS 15 Impact	December 31, 2017 restated	IFRS9 Impact	January 1st 2018 restated
			(in € millions)		
Assets					
Goodwill	11,199	—	11,199	—	11,199
Intangible assets	6,666	(147)	6,519	—	6,519
Contracts costs	—	152	152	—	152
Property, plant and equipment	6,424	—	6,424	—	6,424
Investments in associates	23	—	23	—	23
Non-current financial assets	736	—	736	—	736
Deferred tax assets	12	—	12	11	22
Other non-current assets	195	—	195	—	195
Non-current assets	**25,255**	**5**	**25,259**	**11**	**25,270**
Inventories	289	—	289	—	289
Trade and other receivables	3,616	—	3,616	(18)	3,598
Contracts assets	—	266	266	(13)	254
Income tax receivable	151	—	151	—	151
Current financial assets	17	—	17	—	17
Cash and cash equivalents	451	—	451	—	451
Assets held for sale	(0)	—	(0)	—	(0)
Current assets	**4,524**	**266**	**4,791**	**(31)**	**4,760**
Total Assets	**29,779**	**271**	**30,050**	**(20)**	**30,030**

19. Restated information (Continued)

	December 31, 2017	IFRS15 Impact	December 31, 2017 restated	IFRS9 Impact	January 1st 2018 restated
			(in € millions)		
Equity and liabilities					
Share capital	444	—	444	—	444
Additional paid- in capital	5,403	—	5,403	—	5,403
Reserves	(2,920)	182	(2,738)	21	(2,717)
Equity attributable to owners of the company	**2,927**	**182**	**3,108**	**21**	**3,130**
Non-controlling interests	(85)	—	(85)	—	(85)
Consolidated equity	**2,841**	**182**	**3,023**	**21**	**3,045**
Non-current borrowings and other financial liabilities	16,854	—	16,854	(56)	16,798
Other non-current financial liabilities	248	—	248	—	248
Non-current provisions	480	(4)	476	—	476
Non-current contracts liabilities	—	455	455	—	455
Deferred tax liabilities	263	93	357	14	371
Other non-current liabilities	568	(455)	112	—	112
Non-current liabilities	**18,414**	**89**	**18,503**	**(42)**	**18,461**
Current borrowings and financial liabilities	351	—	351	—	351
Other current financial liabilities	1,107	—	1,107	—	1,107
Trade payables and other liabilities	6,045	—	6,045	—	6,045
Current contracts liabilities	—	517	517	—	517
Income tax liabilities	105	—	105	—	105
Current provisions	350	—	350	—	350
Other current liabilities	566	(517)	49	—	49
Liabilities directly associated to assets held for sale	(0)	—	(0)	—	(0)
Current liabilities	**8,524**	**—**	**8,524**	**—**	**8,524**
Total Equity & liabilities	**29,779**	**271**	**30,050**	**(20)**	**30,030**

19. Restated information (Continued)

19.2. Consolidated Statement of Income

	March 31, 2017	IFRS 15 impact	March 31, 2017 restated
		(in € millions)	
Revenues	**2,705**	**(45)**	**2,661**
Purchasing and subcontracting	(986)	(4)	(990)
Other operating expenses	(662)	2	(660)
Staff costs and employee benefit expenses	(242)	3	(239)
Depreciation, amortization and impairment	(557)	(8)	(564)
Non-recurring income and expenses	(103)	—	(103)
Operating income	**156**	**(51)**	**105**
Financial income	1	—	1
Cost of gross financial debt	(193)	—	(193)
Other financial expenses	(14)	—	(14)
Net financial income (expense)	**(207)**	**—**	**(207)**
Share in net income (loss) of associates	0	0	1
Income (loss) before taxes	**(50)**	**(51)**	**(101)**
Income tax income (expense)	(4)	18	14
Net income (loss) from continuing operations	**(54)**	**(34)**	**(88)**
Net income (loss) from discontinued operations	—	—	—
Net income (loss)	**(54)**	**(34)**	**(88)**
• **Group share**	**(52)**	**(34)**	**(86)**
• **Non-controlling interests**	**(2)**	**(0)**	**(2)**

19. Restated information (Continued)

19.3. Consolidated Statement of Cash Flows

	March 31, 2017	IFRS 15 Impact	March 31, 2017 restated
		(in € millions)	
Net income, Group share	**(52)**	**(34)**	**(86)**
Adjustments:			
Non-controlling interests	(2)	—	(2)
Depreciation, amortization and provisions	516	8	524
Share in net income (loss) of associates	(0)	(0)	(1)
Net income from sale of property, plant and equipment and intangible assets	27	—	27
Net financial expense (income)	207	—	207
Income tax expense (income)	4	(18)	(14)
Other non-cash items	1	—	1
Income tax paid	(19)	—	(19)
Change in working capital	(310)	49	(261)
Net cash flow provided (used) by operating activities	**373**	**5**	**378**
Acquisitions of PPE, intangible assets and contact costs	(486)	(5)	(491)
Acquisition of consolidated entities, net of cash acquired	(24)	—	(24)
Acquisitions of other financial assets	(3)	—	(3)
Disposals of property, plant and equipment and intangible assets	15	—	15
Disposal of consolidated entities, net of cash disposals	—	—	—
Disposal of other financial assets	6	—	6
Change in working capital related to property, plant and equipment and intangible assets	(142)	—	(142)
Net cash flow provided (used) by investing activities	**(633)**	**(5)**	**(638)**
Purchases of treasury shares	0	—	0
Capital increase	1	—	1
Dividends paid	—	—	—
—*to owners of the company*	—	—	—
—*to non-controlling interests*	—	—	—
Dividends received	—	—	—
Issuance of debt	—	—	—
Repayment of debt	(13)	—	(13)
Interest paid	(406)	—	(406)
Other flows from financing activities	474	—	474
Net cash flow provided (used) by financing activities	**56**	**—**	**56**
Net increase (decrease) in cash and cash equivalents	**(204)**	**0**	**(204)**
Net cash and cash equivalents at beginning of period	**400**	**—**	**400**
Net cash and cash equivalents at end of period	**196**	**—**	**196**
of which cash and cash equivalents	*318*	—	*318*
of which bank overdrafts	*(122)*	—	*(122)*

Altice France
(formerly SFR Group)

Consolidated Financial Statements

Year ended December 31, 2017

Altice France
16, rue du Général Alain de Boissieu
75015 Paris

Altice France S.A.

Statutory Auditors' Report on the consolidated financial statements

Fiscal year ended December 31, 2017

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by European regulation and French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders, and an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments, different from Key Audit Matters defined by the European Regulation, were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Altice France (formerly SFR Group),

Opinion

In compliance with the engagement entrusted to us by your Articles of Association and by your Shareholders' meeting, we have audited the accompanying consolidated financial statements of Altice France (formerly SFR Group) for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *"Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (*code de déontologie*) for statutory auditors.

Justification of our assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the following matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Altice France

Note 3 “Use of estimates and judgments” to the consolidated financial statements explains the main accounting principles and estimates underlying the preparation of the consolidated financial statements. This note also discloses that, in the current economic context, future circumstances and outcomes may result in changes to the estimates and assumptions made which may impact the Group’s future financial position, profits, and cash flows. The most significant estimates relate to provisions, goodwill, financial instruments, and deferred tax assets:

- The Company makes provisions to cover litigation risks as described in Note 2.20 “Provisions” to the consolidated financial statements. Our procedures primarily consisted in assessing, based on the information made available to us, the data and assumptions underlying these estimates, and reviewing the Company’s calculations, on a test basis. In our opinion, all uncertainties and disputes have been appropriately disclosed in Note 33 “Litigation” to the consolidated financial statements.
- The Company systematically carries out goodwill impairment tests at the end of each accounting period, in accordance with the procedure described in Note 2.13 “Impairment of assets” to the consolidated financial statements. We have reviewed the method for testing asset impairment, as well as cash flow forecasts and the assumptions used, and we have verified that Note 13 “Goodwill and Impairment tests” to the consolidated financial statements provides the appropriate disclosures.
- Note 2.19 “Derivative instruments” to the consolidated financial statements explains the accounting policies for derivative instruments used by the Group. We have verified that the accounting policies have been properly applied, and hedge accounting application criteria in particular, checked the consistency of the assumptions used to calculate the fair value of derivative instruments, and checked that Note 24 “Derivative Instruments” and Note 30 “Financial instruments” to the consolidated financial statements provide the appropriate disclosures.
- In its Statement of consolidated financial position, the Group presents deferred tax assets related to tax losses in the net amount of €264 million as of December 31, 2017, as disclosed in Note 12.3 “Change in deferred taxes by type” to the consolidated financial statements. We have reviewed the data and assumptions underlying projections for the use of tax loss carry-forwards and the Company’s calculations, and we have verified that Notes 2.6 and 12 provide the appropriate disclosures.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, May 9, 2018

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Deloitte & Associés

Grégoire Menou
Partner

Emmanuel Gadret
Partner

Julien Razungles
Partner

Consolidated Statement of Income

	Note	December 31, 2017	December 31, 2016
		(in € millions)	
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

	Note	December 31, 2017	December 31, 2016
		(in € millions)	
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

	Note	December 31, 2017	December 31, 2016
		(in € millions)	
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**

	Note	December 31, 2017	December 31, 2016
		(in € millions)	
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

	Equity attributable to owners of the company						
	Capital	Additional paid-in capital	Reserves	Other comprehensive income	Total	Non-controlling interests	Consolidated equity
				(in € millions)			
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

	December 31, 2015	December 31, 2016	Change	December 31, 2016	December 31, 2017	Change
			(in € millions)			
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

	Note	December 31, 2017	December 31, 2016
		(in € millions)	
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. Basis of preparation of the consolidated financial statements (Continued)

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

1. Basis of preparation of the consolidated financial statements (Continued)

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.

1. Basis of preparation of the consolidated financial statements (Continued)

  - 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;

2. Accounting policies and methods (Continued)

- 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.

2. Accounting policies and methods (Continued)

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.

2. Accounting policies and methods (Continued)

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.

2. Accounting policies and methods (Continued)

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.

2. Accounting policies and methods (Continued)

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.*

2. Accounting policies and methods (Continued)

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.

2. Accounting policies and methods (Continued)

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*.

2. Accounting policies and methods (Continued)

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. Accounting policies and methods (Continued)

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

2. Accounting policies and methods (Continued)

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.

2. Accounting policies and methods (Continued)

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;

2. Accounting policies and methods (Continued)

- 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;

2. Accounting policies and methods (Continued)

- 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.

2. Accounting policies and methods (Continued)

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).*

3. Use of estimates and judgments (Continued)

- *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.

4. Significant events for the fiscal year (Continued)

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

4. Significant events for the fiscal year (Continued)

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.

4. Significant events for the fiscal year (Continued)

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

4. Significant events for the fiscal year (Continued)

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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	December 31, 2017	December 31, 2016
	((in € millions)	
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	December 31, 2017	December 31, 2016
	((in € millions)	
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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

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

12. Income tax expense (Continued)

12.2. Tax proof

	December 31, 2017	December 31, 2016
	(in € millions)	
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. Income tax expense (Continued)

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:

	December 31, 2016	Income statement	Other*	December 31, 2017
		(in € millions)		
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

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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.

13. Goodwill and impairment tests (Continued)

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		
	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
			(in € millions)			
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).

14. Other intangible assets (Continued)

(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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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		
	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
			(in € millions)			
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

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

15. Property, plant and equipment (Continued)

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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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.

16. Investments in associates (Continued)

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	
	2017	2016	2017	2016	2017	2016
			(in € millions)			
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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

	December 31, 2017	December 31, 2016
	(in € millions)	
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

	December 31, 2017	December 31, 2016
	(in € millions)	
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

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

	2017	2016
	(in € millions)	
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	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			(in € millions)			
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

Bonds can be broken down as follows:

			Outstanding amount at (millions) in euros[1]	
Original currency	Maturity	Coupon in foreign currency	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**

[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. Financial liabilities (Continued)

23.3. Bank borrowings

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

				Margin	Outstanding amount at (millions) in euros[2]	
Currency	Tranche	Maturity	Reference interest rate	in foreign currency[1]	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:

	December 31, 2017	December 31, 2016*
	(in € millions)	
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

23. Financial liabilities (Continued)

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).

	2018	2019	2020	2021	2022	2023 and beyond	Total
				(in € millions items)			
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 currenc*y 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. Financial liabilities (Continued)

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:

	Note	December 31, 2017	December 31, 2016*
		(in € millions)	
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.

			Consolidated statement of cash flows			
	Note	December 31, 2016	Net cash flow—financing activities	Other flows	Other flows—non cash	December 31, 2017
			(in € millions)			
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;

23. Financial liabilities (Continued)

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:

Note	Type	Underlying element	December 31, 2017	December 31, 2016
			(in € millions)	
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.

24. Derivative instruments (Continued)

Hedges established are detailed in the table below:

	Notional		Fixed rate / Margin		Initial exchange date	Final exchange date
	USD	EUR	USD	EUR		
	(in items millions)					
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 qualify for hedge accounting, changes in its fair value are recognized directly in profit and loss.

24. Derivative instruments (Continued)

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.

	2018	2019	2020	2021	2022	2023 and beyond	Total
				(in € millions)			
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:

	December 31, 2017					
	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
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.*

25. Provisions (Continued)

(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:

	December 31, 2016					
	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
Employee benefit plans	125	14	(2)	—	25	161
Restructuring	55	103	(38)	(1)	27	146
Technical site restoration	117	4	(1)	—	(2)	119
Litigation and other	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.*

26. Share-based payments (Continued)

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

	December 31, 2017	December 31, 2016
	(in € millions)	
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**

27. Post-employment benefits (Continued)

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

	December 31, 2017	December 31, 2016
	(in € millions)	
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

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

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

28. Other non-current liabilities

This item breaks down as follows:

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

28. Other non-current liabilities (Continued)

(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

	December 31, 2017	December 31, 2016
	(in € millions)	
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

	December 31, 2017	December 31, 2016
	(in € millions)	
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:

			December 31, 2017	
	Note	Classification IAS 39	Total net carrying value	Fair value
			(in € millions)	
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.*

30. Financial instruments (Continued)

	Note	Classification IAS 39	December 31, 2016 Total net carrying value	 Fair value
			(in € millions)	
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.

30. Financial instruments (Continued)

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			
	Fair value	Level 1	Level 2	Level 3
	(in € millions)			
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			
	Fair value	Level 1	Level 2	Level 3
	(in € millions)			
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		Initial position		Hedging instrument		Final position	
	Currency	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)**

30. Financial instruments (Continued)

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		Initial position		Hedging instrument		Final position	
	Currency	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.

30. Financial instruments (Continued)

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.

	December 31, 2017	December 31, 2016
	(in € millions)	
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**

31. Related party transactions (Continued)

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	
	2017	2016	2017	2016
	(in € millions)			
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:

	December 31, 2017	December 31, 2016
	(in € millions)	
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;

31. Related party transactions (Continued)

- 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);

32. Commitments and contractual obligations (Continued)

- 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				
	Minimum future payments 2017	Less than one year	Two to five years	More than five years	2016
			(in € millions)		
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.

32. Commitments and contractual obligations (Continued)

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 1800 MHz	2G/3G (2 × 10 MHz) 2G/4G (2 × 23,8 MHz)	ARCEP Dec. n° 06-0140	March 25, 2006	March 25, 2021
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. Commitments and contractual obligations (Continued)

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.

32. Commitments and contractual obligations (Continued)

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			
	Minimum future payments 2017	**Less than one year**	**Two to five years**	**More than five years**	**2016**
			(in € millions)		
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			
	Minimum future payments 2017	**Less than one year**	**Two to five years**	**More than five years**	**2016**
			(in € millions)		
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**

32. Commitments and contractual obligations (Continued)

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			
	2017	Less than one year	Two to five years	More than five years	2016
			(in € millions)		
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.

33. Litigation (Continued)

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,

33. Litigation (Continued)

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 EI 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 EI 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. EI 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.

33. Litigation (Continued)

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.

33. Litigation (Continued)

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.

33. Litigation (Continued)

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.

33. Litigation (Continued)

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.

33. Litigation (Continued)

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.

33. Litigation (Continued)

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

33. Litigation (Continued)

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*.

33. Litigation (Continued)

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.

33. Litigation (Continued)

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 2017	Group interest 2016	Method[(1)] 2017	Method[(1)] 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
SRR SCS	France	100%	100%	FC	FC

34. List of consolidated entities (Continued)

Entity	Country Registered office	Group interest 2017	Group interest 2016	Method[1] 2017	Method[1] 2016
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

34. List of consolidated entities (Continued)

Entity	Country Registered office	Group interest 2017	Group interest 2016	Method[1] 2017	Method[1] 2016
Holco B SAS	France	100%	100%	FC	FC
i24 News SARL	Luxembourg	100%	100%	FC	FC
It For Business SARL[5]	France	—	100%	—	FC
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

34. List of consolidated entities (Continued)

Entity	Country Registered office	Group interest 2017	Group interest 2016	Method[1] 2017	Method[1] 2016
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
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 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.

36. Subsequent events (Continued)

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
	Amount	Amount	Amount
		(in € millions)	
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**

SFR Group

(formerly Numericable-SFR)

Consolidated Financial Statements

Year ended December 31, 2016

SFR Group
1, Square Béla Bartók
75015 Paris

SFR Group S.A.
Statutory Auditors' Report on the consolidated financial statements

Fiscal year ended December 31, 2016

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

In the performance of the engagement entrusted to us pursuant to your Articles of Association and by your Shareholders' Meeting, we present below our report for the fiscal year ended December 31, 2016, on:

- the audit of the consolidated financial statements of SFR Group (formerly Numericable-SFR), as appended to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements were approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In application of the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

- Note 3 "Use of estimates and judgements" to the consolidated financial statements explains the main accounting principles and estimates underlying the preparation of the consolidated financial statements. This note also discloses that, in the current economic context, future circumstances and outcomes may result in changes to the estimates and assumptions made which may impact the Group's future financial position, profits, and cash flows. The most significant estimates relate to provisions, goodwill, financial instruments, and deferred tax assets:
  - The Company makes provisions to cover litigation risks as described in Note 2.21 "Provisions" to the consolidated financial statements. Our procedures primarily consisted in

assessing, based on the information made available to us, the data and assumptions underlying these estimates, and reviewing the Company's calculations, on a test basis. In our opinion, all uncertainties and disputes have been appropriately disclosed in Note 34 "Litigation" to the consolidated financial statements.

- The Company systematically carries out goodwill impairment tests at the end of each accounting period, in accordance with the procedure described in Note 2.14 "Impairment of assets" to the consolidated financial statements. We have reviewed the method for testing asset impairment, as well as cash flow forecasts and the assumptions used, and we have verified that Note 14 "Goodwill and Impairment tests" to the consolidated financial statements provides the appropriate disclosures.
- Note 2.20 "Derivative instruments" to the consolidated financial statements explains the accounting policies for derivative instruments used by the Group. We have verified that the accounting policies have been properly applied, and hedge accounting application criteria in particular, checked the consistency of the assumptions used to calculate the fair value of derivative instruments, and checked that Note 25 "Derivative Instruments" and Note 31 "Financial instruments" to the consolidated financial statements provide the appropriate disclosures.
- In its Statement of consolidated financial position, the Group presents deferred tax assets related to tax losses in the net amount of €211 million as of December 31, 2016, as disclosed in Note 13.3 "Change in deferred taxes by type" to the consolidated financial statements. We have reviewed the data and assumptions on which the projections of tax loss carry-forwards were based, have reviewed the Company's calculations, and have verified that Notes 2.7 and 13 provide the appropriate disclosures.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, April 11, 2017

The Statutory Auditors

KPMG Audit *Department of KPMG S.A.*	Deloitte & Associés
Grégoire Menou *Partner*	Christophe Saubiez *Partner*

SFR Group—2016 Consolidated Financial Statements

Consolidated Statement of Income

	Note	December 31, 2016	December 31, 2015
		(in € millions)	
Revenues	**8**	**10,991**	**11,039**
Purchasing and subcontracting		(3,961)	(3,890)
Other operating expenses	10	(2,263)	(2,467)
Staff costs and employee benefit expenses	9	(945)	(877)
Depreciation, amortization and impairment	15-16	(2,435)	(2,554)
Non-recurring income and expenses	11	(432)	(314)
Operating income		**954**	**937**
Financial income	12	10	782
Cost of gross financial debt	12	(1,043)	(781)
Other financial expenses	12	(78)	(47)
Net financial income (expense)		**(1,111)**	**(46)**
Share in net income (loss) of associates	17	(4)	6
Income (loss) before taxes		**(161)**	**898**
Income tax income (expense)	13	(57)	(215)
Net income (loss) from continuing operations		**(218)**	**682**
Net income (loss) from discontinued operations		—	—
Net income (loss)		**(218)**	**682**
—Group share		**(210)**	**675**
—Non-controlling interests		**(8)**	**7**
Earnings per share attributable to owners of the company (in euros)			
—basic		(0.48)	1.47
—diluted		(0.48)	1.47

SFR Group—2016 Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Note	December 31, 2016	December 31, 2015
		(in € millions)	
Net income (loss)		**(218)**	**682**
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		(1)	(1)
Cash flow hedges		(369)	40
Related taxes	13.3	95	(20)
Other items related to associates		0	2
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gain (loss)	28	(14)	8
Related taxes	13.3	5	(3)
Comprehensive income (loss)		**(502)**	**708**
Of which:			
Comprehensive income (loss), Group share		*(494)*	*701*
Comprehensive income (loss), Non-controlling interests		*(8)*	*7*

SFR Group—2016 Consolidated Financial Statements

Consolidated Statement of Financial Position

	Note	December 31, 2016	December 31, 2015
		(in € millions)	
Assets			
Goodwill	14	11,146	10,554
Intangible assets	15	7,600	7,983
Property, plant and equipment	16	6,021	5,627
Investments in associates	17	46	110
Non-current financial assets	18	2,131	2,112
Deferred tax assets	13	22	2
Other non-current assets	18	21	57
Non-current assets		**26,986**	**26,445**
Inventories	19	235	286
Trade and other receivables	20	3,212	2,723
Income tax receivable	13	159	271
Current financial assets	21	4	2
Cash and cash equivalents	22	452	355
Assets held for sale	4.7	59	—
Current assets		**4,121**	**3,637**
Total Assets		**31,107**	**30,081**

	Note	December 31, 2016	December 31, 2015
		(in € millions)	
Equity and liabilities			
Share capital	23	443	440
Additional paid-in capital	23	5,388	5,360
Reserves	23	(2,221)	(1,545)
Equity attributable to owners of the company		**3,609**	**4,256**
Non-controlling interests	23	(37)	12
Consolidated equity		**3,572**	**4,267**
Non-current borrowings and other financial liabilities	24	17,171	16,443
Other non-current financial liabilities	24	325	215
Non-current provisions	26	840	727
Deferred tax liabilities	13	615	816
Other non-current liabilities	29	617	780
Non-current liabilities		**19,568**	**18,981**
Current borrowings and financial liabilities	24	485	254
Other current financial liabilities	24	1,155	588
Trade payables and other liabilities	30	5,139	4,878
Income tax liabilities	13	207	187
Current provisions	26	396	328
Other current liabilities	30	540	597
Liabilities directly associated to assets held for sale	4.7	46	—
Current liabilities		**7,968**	**6,833**
Total Equity & liabilities		**31,107**	**30,081**

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the company						
	Capital	Additional paid-in capital	Reserves	Other comprehensive income¹	Total	Non-controlling interests	Consolidated equity
				(in € millions)			
Position at December 31, 2014	**487**	**9,748**	**(2,173)**	**(109)**	**7,952**	**10**	**7,962**
Dividends paid	—	(2,509)	—	—	(2,509)	(7)	(2,516)
Comprehensive income (loss)	—	—	675	26	701	7	708
Issuance of new shares	2	24	—	—	26	—	26
Share-based compensation	—	—	9	—	9	—	9
Purchase of treasury shares	—	—	(1,948)	—	(1,948)	—	(1,948)
Capital decrease by cancellation of treasury shares	(49)	(1,899)	1,948	—	—	—	—
Other movements	—	(4)	28	—	24	1	26
Position at December 31, 2015	**440**	**5,360**	**(1,461)**	**(84)**	**4,256**	**12**	**4,267**
Dividends paid	—	—	—	—	—	(8)	(8)
Comprehensive income (loss)	—	—	(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
Other movements	—	—	(187)	—	(187)	(34)	(221)
Position at December 31, 2016	**443**	**5,388**	**(1,854)**	**(367)**	**3,609**	**(37)**	**3,572**

Breakdown of changes in equity related to other comprehensive income

	December 31, 2014	December 31, 2015	Change	December 31, 2015	December 31, 2016	Change(*)
			(in € millions)			
Hedging instruments	(169)	(129)	*40*	(129)	(498)	*(369)*
Related taxes	64	44	*(20)*	44	140	*95*
Actuarial gains and losses	(5)	3	*8*	3	(10)	*(14)*
Related taxes	—	(3)	*(3)*	(3)	1	*5*
Foreign currency translation adjustments	(0)	(1)	*(1)*	(1)	(2)	*(1)*
Items related to associates	0	2	*2*	2	3	*0*
Total	**(109)**	**(84)**	***26***	**(84)**	**(367)**	***(284)***

* *Of which €(283) million regarding Group share and €(1) million regarding non-controlling interests.*

SFR Group—2016 Consolidated Financial Statements

Consolidated Statement of Cash Flows

	Note	December 31, 2016	December 31, 2015
		(in € millions)	
Net income, Group share		**(210)**	**675**
Adjustments:			
Non-controlling interests		(8)	7
Depreciation, amortization and provisions		2,577	2,560
Share in net income (loss) of associates	17	4	(6)
Net income from sale of property, plant and equipment and intangible assets	11	50	188
Net financial expense (income)	12	1,111	46
Income tax expense (income)	13	57	215
Other non-cash items		15	13
Income tax paid		(77)	(240)
Change in working capital		(141)	(322)
Net cash flow provided (used) by operating activities		**3,378**	**3,135**
Acquisitions of property, plant and equipment and intangible assets	15/16	(2,312)	(2,370)
Acquisition of consolidated entities, net of cash acquired		(736)	(2)
Price adjustment of SFR and Virgin Mobile securities		—	123
Acquisitions of other financial assets		(32)	(5)
Disposals of property, plant and equipment and intangible assets		38	36
Disposal of consolidated entities, net of cash disposals		0	18
Disposal of other financial assets		10	21
Change in working capital related to property, plant and equipment and intangible assets		(215)	446
Net cash flow provided (used) by investing activities		**(3,247)**	**(1,732)**
Purchases of treasury shares		0	(1,949)
Capital increase		30	26
Dividends paid		(8)	(2,516)
- to owners of the company		0	(2,509)
- to non-controlling interests		(8)	(7)
Dividends received		13	8
Issuance of debt		9,703	3,677
Repayment of debt		(9,578)	(838)
Interest paid		(630)	(605)
Other flows from financing activities		508	438
Net cash flow provided (used) by financing activities		**40**	**(1,758)**
Net increase (decrease) in cash and cash equivalents		**171**	**(355)**
Exchange rate impact on cash in foreign currencies		**0**	**0**
Net cash and cash equivalents at beginning of period		**229**	**583**
Net cash and cash equivalents at end of period		**400**	**229**
of which cash and cash equivalents	22	*452*	*355*
of which bank overdrafts	24	*(52)*	*(126)*

SFR Group—2016 Consolidated Financial Statements

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1. Basis of preparation of the consolidated financial statements

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

The Shareholders' Meeting of June 21, 2016 approved the Company's change of corporate name.

Created subsequent to the merger of Numericable and SFR, the Group (formerly named Numericable-SFR) 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. A global player, the Group has major positions in all segments of the French B2C, B2B, local authorities and wholesale telecommunications market.

SFR Group is also adopting a new and increasingly integrated model around access and content convergence. Its new 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 (BFM TV, BFM Business, BFM Paris, RMC, RMC Découverte...).

Listed on Euronext Paris, SFR group is 84%-owned by Atice Group.

This Note describes the changes in the accounting principles adopted by the Group for the consolidated financial statements as of December 31, 2016.

The consolidated financial statements were prepared and approved by the Company's Board of Directors on April 5, 2017 after a first approval by the Company's Board of Directors on March 7, 2017.

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 2017.

The consolidated financial statements for the year ended December 31, 2016, 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, 2016. 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

1.2 New standards and interpretations

Standards and interpretations applied from January 1, 2016

The application from January 1, 2016 of the mandatory standards and amendments (listed below) had no material impact on the Group's consolidated financial statements:

- Amendments to IAS 16 and IAS 38 – *Clarification of acceptable methods of depreciation and amortization*. The amendments to IAS 16 and IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for depreciation of property, plant and equipement and amortization of intangibles asset. Currently, the Group uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Group believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, has a non-material impact on the Group's condensed consolidated financial statements.

1. Basis of preparation of the consolidated financial statements (Continued)

- Amendments to IFRS 11—*Accounting for Acquisitions in Joint Operations*. The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3R- *Business Combinations*, With respect to these acquisitions, an entity must apply the business combinations accounting principles of IFRS 3 and the other IFRS that do not contradict the provisions of IFRS 11.
- Amendments to IAS 1—*Disclosure initiative.*
- Annual Improvements cycle 2012-2014.

Standards and interpretations not yet applied

In addition to the IFRS standards and IFRIC interpretations issued by the IASB and the IFRS IC, but not yet in force and not yet adopted by the EU disclosed in the 2016 consolidated financial statements, the following standards were published but are not yet in force:

- Amendments to IAS 7—*Disclosure initiative.*
- Amendments to IAS 12—*Recognition of deferred tax assets for unrealized losses.*

Of the IFRS and IFRIC interpretations issued by the IASB and IFRS IC but not yet in force and not yet adopted by the EU, which the Group has not opted to apply early, those likely to affect the Group are mainly:

- 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 the 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 recognise 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 recognises 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 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 September 2015) 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; 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 effects are analyzed as part of a Group-wide project for implementing this new standard across all significant revenue streams. The analysis phase has been finalized and the implementation plan including the development of new IT tools is in progress. Based on the analysis phase, the company anticipates that the application of IFRS 15 in the future may have a material impact on the consolidated financial statements and information disclosed in notes.

1. Basis of preparation of the consolidated financial statements (Continued)

Mobile activities:

Most significant impact is expected in the Mobile activities (B2C and B2B transactions) as some arrangements include multiple elements: 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. This will also impact the timing of revenue recognition as the handset is delivered up-front, even though total revenue do not change. Furthermore, the impact of early termination and early renewals as well as contract modifications will be taken into account. The capitalization of commissions which may be broader than the current capitalization model, along with depreciation pattern which will require estimations relating to the contract duration in some instances (prepaid business for example);

In the BtoB activities, the same will apply along with the effect of constraint on variable considerations and sometimes, the identification of purchase options for handsets at a discounted price.

Fixed activities:

- in most cases, services provided and equipment delivered will not be considered as distinct performance obligations. Additional services will be examined separately.
- other identified topics relate to upfront fees, related costs and capitalization of commissions.

Wholesale activity: The assessment is still in progress, at this stage, no major impact has been identified except the effect of constraint on variable consideration.

Other revenue: The identification of IFRS topics related to of other revenue streams is still in progress.

It is not yet practicable to provide a reasonable estimate of the quantitative effects until the projects have been completed.

The group has decided to adopt the standard based on the full retrospective approach.

- IFRS 9—*Financial Instruments*: on July 24, 2014, the IASB issued the final version of IFRS 9 to replace IAS 39—*Financial Instruments: Recognition and Measurement.*

  The improvements made by IFRS 9 include:

  - a logical and unique approach for the classification and valuation of financial assets which reflects the business model within the framework of which they are managed as well as the contractual cash flows;
  - a unique forward-looking impairment model based on “expected losses”;
  - a significantly revised approach to hedge accounting.

  The information in the notes has also been refined with the overall objective of improving information provided to investors.

  The new standard was adopted by the European Union on November 22, 2016 and is applicable for fiscal years opened on or after January 1, 2018. Retroactive application is not mandatory.

  Management projects that the application of IFRS 9 may have an impact on its financial assets and liabilities. However, it is not yet possible to provide a reasonable estimate of the impacts of IFRS 9 as long as the Group has not prepared a detailed analysis.

- IFRS 16—*Leases*: on January 13, 2016, the IASB issued the new standard IFRS 16 as a replacement of IAS 17—*Leases*, and the IFRIC and SIC interpretations related. It will remove for the lessees the distinction between “operationg leases” and “finance leases”. The lessee will recognize for lease contracts exceeding one year an asset and a financial liability similarly as a a finance lease under IAS17.

1. Basis of preparation of the consolidated financial statements (Continued)

The new standard, not yet adopted by the EU, will be mandatory implemented as of January 1, 2019. For the first application, the Group will have 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.

Management anticipates that the application of IFRS 16 may have a material impact on the Group's financial assets and financial liabilities, especially given the different operating lease arrangements of the Group. The effects are analysed as part of a project for implementing this new standard. It is not yet practicable to provide a reasonable estimate of the impact on the financial statements 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 35—*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

2. Accounting policies and methods (Continued)

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.

2. Accounting policies and methods (Continued)

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 and NextRadioTV (see Note 4—*Significant events for the fiscal year ended December 31, 2016*), revenue from the Group's activities integrates now new types of products such as magazine 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.

2. Accounting policies and methods (Continued)

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. Accounting policies and methods (Continued)

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.

2.6 Segment information

IFRS 8—*Operating Segments* requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following four segments:

- B2C Operations
- B2B Operations
- Wholesale Services
- Media

B2C Operations

The Group provides residential customers with telephone subscriptions, TV subscription services, high-speed Internet, and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering, including data transmission and very-high-speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators (including the Mobile Virtual Network Operations, "MVNOs") as well as the related maintenance services.

Media

This new segment (denominated "Other" during the quarterly publications) has been defined to include the press and television activities of the purchased companies in 2016, Altice Media Group France and NextRadioTV (see Note 6—*Changes in scope*).

2. Accounting policies and methods (Continued)

2.7 Corporate income tax

Income tax expense comprises current and deferred tax. 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, 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.

2.8 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.

2.9 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.

2.10 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.

2. Accounting policies and methods (Continued)

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 *14—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.

2.11 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

2. Accounting policies and methods (Continued)

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).

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. Accounting policies and methods (Continued)

2.12 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.

2.13 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.

2. Accounting policies and methods (Continued)

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.

2.14 Impairment of assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment, or assets in progress, the Group re-examines the value of these assets. 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 *14.1—Change in Goodwill*), and shared assets and liabilities are allocated through distribution keys to each of the operating segments (see Note *14.3—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.

2. Accounting policies and methods (Continued)

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.

2.15 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.

2. Accounting policies and methods (Continued)

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.

2.16 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.17 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.

2.18 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.

2.19 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.

2. Accounting policies and methods (Continued)

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.

2.20 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;

2. Accounting policies and methods (Continued)

- 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.

2.21 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.

2.22 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. Accounting policies and methods (Continued)

2.23 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.

2.24 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.

2.25 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the assumed proceeds from the conversion of these instruments have been used to acquire shares of the Group at the average market price for the fiscal year period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3. Use of estimates and judgements

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 rules and methods* implies decisions based on judgement, 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 26 —*Provisions* and Note 34—*Litigation*).

3. Use of estimates and judgements (Continued)

- *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 28—*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 (Note *8—Segment information)*.
- *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 31—*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 13—*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 14—*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 15—*Intangible assets* and Note 16—*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 ended December 31, 2016

4.1 Change in corporate governance

On January 7, 2016, the Board of Directors recorded the resignation of Eric Denoyer as Chief Executive Officer of SFR Group. On March 11, 2016, the Board of Directors appointed Michel Paulin as Chief Executive Officer of SFR Group.

Changes were also made in the composition of the Board of Directors of SFR Group, which is now the following: Michel Combes as Chairman, Bertrand Meheut as Vice-Chairman, Bernad Attali, Manon Brouillette and Anne-France Laclide as independent directors and Alain Weill, Angelique Benetti, Jérémie Bonnin and Jean-Michel Hégésippe as directors.

4.2 Takeover of Numergy

On January 22, 2016, the Group finalized the acquisition of the interests held by Caisse des Dépôts (33%) (acting in its own name and on behalf of the French government under the Future Investments Program) and Atos (20%) in Numergy, for a consideration of €9 million. In this context, the Group set up a first-demand guarantee maturing in more than one year to cover the amount still due to Caisse des Dépôts and Atos/Bull.

The goodwill, amounting to €5 million, was recognized in the financial statements for the fiscal year ended December 31, 2016. The Purchase Price Allocation (PPA) was finalized during the last quarter of 2016 in accordance with revised IFRS3 Revised and did not allow to identify new significant assets or liabilities.

4. Significant events for the fiscal year ended December 31, 2016 (Continued)

4.3 Approval of the Kosc consortium's acquisition of the Completel DSL network by the French Competition Authority

On December 22, 2015, the French Competition Authority approved the KOSC consortium for the acquisition of the DSL network of Completel, which is comprised of OVH, Cofip, Kapix and Styx. On October 30, 2014, the French Competition Authority had in fact authorized the purchase of SFR by Numericable, a subsidiary of the Altice Group, subject to certain commitments. In this context, Numericable had, among other things, agreed to sell the Completel DSL network in order to eliminate any risk of adversely affecting competition in the markets for business-specific fixed-line telecommunications services.

This sale, finalized on March 18, 2016, means that SFR Group can honor the last of its two structural commitments required by the French Competition Authority (after the sale of the mobile telecommunications operations of Outremer Telecom in Réunion and Mayotte).

4.4 Operations on financial debt

4.4.1 Swaps

On February 16, 2016, the Group signed an interest rate swap agreement with JP Morgan Chase with the following features:

- Nominal: €4.0 billion
- Variable rate paid by the bank: 3-month Euribor
- Rate paid by the Group: (0.121%)
- Maturity: 7 years, but with a clause from the bank to advance the remaining cash flows at the end of 5 years.

The Group has continued its strategy to hedge financial risks by converting approximately two-thirds of its variable rate borrowings into fixed rates: around 96% of the Group's long-term debt is fixed-rate.

4.4.2 The Group refinanced its debt for US$5.2 billion as "Senior Debt" in April 2016

On April 7, 2016, the Group placed US$5.19 billion in senior debt with institutional investors. These amounts were used to refinance the US$2.4 billion in debt maturing in 2019, refinance a US$450 million drawdown on the revolving credit line and, after approval of certain changes from the lenders, to refinance the loans of US$1.9 billion maturing in 2020.

4.4.3 New loans and refinancing in October 2016

In October 2016, the Group placed two new Term Loans with institutional investors (i) a $1,790 million Term Loan with a January 2025 maturity, priced at 3.25% over Libor with a 0.75% floor and an OID of 99.75; and (ii) a €700 million Term Loan with a January 2025 maturity, priced at 3.00% over Euribor with a 0.75% floor and priced at par.

This leverage-neutral refinancing will be used to repay the following existing debts (i) $550 million term loan due June 2022, priced at 3.8125% over Libor with a 0.75% floor, (ii) $1,340 million term loan due January 2023 priced at 4.00% over Libor with a 0.75% floor, (iii) €500 million term loan due January 2023 priced at 4.00% over Euribor with a 0.75% and, (iv) €100 million of the aggregate principal amount outstanding under the RCF.

The refinancing has reduced the weighted average cost of debt to 5.2% as well as extended the debt maturity profile to 7.6 years.

4.5 SFR Group acquired the minority stake held by Altice N.V. in the NextRadioTV group and acquired Altice Media Group France

On May 12, 2016, SFR Group finalized the acquisition of the minority stake of Altice N.V. in the NextRadioTV group (acquisition of entities under common control).

4. Significant events for the fiscal year ended December 31, 2016 (Continued)

On May 12, 2016, the Group finalized the acquisition (announced on April 27, 2016) of the minority stake of 49% held by Altice N.V. in the NextRadioTV group. This stake was acquired by Altice N.V. in December 2015 within the framework of its strategic partnership with Alain Weill. NextRadioTV is a leading information group focused on general news, sports, the economy, high-tech, and discovery. NextRadioTV has substantial assets and powerful media brands, including BFMTV and RMC, along with RMC Sport, RMC Découverte, BFM Business, 01net.com (6 million hits per month) and BFMTV.com. NextRadioTV also holds a minority interest in the Numéro 23 channel.

The transaction values NextRadioTV at an enterprise value of €741 million, which corresponds to the enterprise value used by Altice in the public offer filed in December 2015, adjusted for the purchase of Numéro 23 channel in the meantime. The Altice public offering resulted in a price of €37 per NextRadioTV share and €23.28 per convertible bond. The transaction thus values NextRadioTV at 7.9x EBITDA, adjusted for the synergies and deficits that could be carried forward.

It should be noted that NextRadioTV could control Numéro 23 beyond 2017 subject to the receipt of necessary regulatory approvals.

In the context of this transaction, SFR Group joined the shareholders' agreement signed by the Altice group with the holding company of Alain Weill (News Participations), which defines the relations of the parties within Altice Content Luxembourg. SFR replaced the Altice group in the buy and sell commitments signed on December 3, 2015 concerning the 25% stake of Altice Content Luxembourg (which may be exercised as of 2018, except in the event that Alain Weill leaves office). It should be noted that the price applicable in the event of a sale at the initiative of News Participations is calculated using a formula based on the activity of Altice Content Luxembourg, which contains no guaranteed minimum for News Participations, and which shows, for transparency purposes, a price similar to the one proposed in the public offer for NextRadioTV filed in December 2015.

The sell commitment granted by News Participations on its 51% stake in Groupe News Participations also remains in effect, as well as the shareholders' agreement that defines the relations of the parties with Groupe News Participations. This sale commitment, which may be exercised as of March 31, 2019 (subject to the applicable regulatory authorizations) would allow SFR to acquire 100% of Groupe News Participations and NextRadioTV (see Note 37—*Subsequent events*).

On May 25, the Group finalized the acquisition of Altice Media Group France (acquisition under common control).

After entering into exclusive negotiations for the acquisition of Altice Media Group France on April 27, 2016, the Group finalized this acquisition on May 25, 2016. Altice Media Group France is a diversified media group and leader in France, holding more than 20 major titles there, and is comprised of emblematic brands, such as Libération, L'Express, L'Expansion, L'Étudiant, and Stratégies. Altice Media Group France also operates the international news channel i24 News. Altice Media Group France is also a leading player in events in France, particularly with its Salon de l'Étudiant, which has drawn 2 million visitors every year for more than thirty years. The transaction values Altice Media Group France at an enterprise value of €241 million, which is 4.5x EBITDA, adjusted for synergies and the deficits of Altice Media Group France that could be carried forward.

4.6 Convergent telecom approach - content

These acquisitions form part of SFR's industrial strategy to accelerate the global convergence of Telecom-media / content and advertising.

The Group has invested in content, and has achieved optimal positioning in this field.

To this end, it will position itself within an extensive content range based on five main themes to provide the best convergence:

- Press, having now set up SFR PRESSE allowing unlimited access to a rich, diversified and high-quality range of magazines and dailies;
- Sports, with, initially, a set of five exceptional channels dedicated to sports, as well as the app SFR SPORT;

4. Significant events for the fiscal year ended December 31, 2016 (Continued)

- News, with the leading TV news service provided in France, drawing on BFM TV, BFM Business and I24 News, and soon supplemented by two new channels: BFMTV Sport and BFMTV Paris;
- Entertainment, with an enhanced entertainment schedule, SFR PLAY, which will offer notably, in addition to the biggest dedicated channels, the enhanced SVOD ZIVE service;
- Family, with SFR FAMiLY! package allowing multi-device households to share content in a way that is innovative, economical and simple to operate.

On August 13, 2016, the Group officially launched SFR Sport 1, a new channel dedicated to the best championship of the world, the "Premier League" available for SFR' subscribers.

4.7 SFR et Marc Laufer began exclusive negotiations on November 28, 2016 for a new partnership between SFR, NewsCo and l'Etudiant

SFR and Marc Laufer began exclusive negotiations for a new partnership between SFR, NewsCo and l'Etudiant. In the context of the proposed project, Marc Laufer would become the owner of NewsCo and l'Etudiant. SFR would remain a co-shareholder in NewsCo and l'Etudiant with a 25% stake. The transaction would be executed under terms identical to those of the previous transaction.

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 have been placed on specific items in the statement of financial position 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 have not been restated (see Note 2.18—*Assets held for sale and discontinued operations*).

4.8 Restructuring

On August 4, 2016, Management and some representative unions of the SFR Group 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 reaffirms the commitments, made at the time of the SFR acquisition, to maintain jobs until July 1, 2017 and defines the internal assistance guarantees as well as the conditions for voluntary departures implemented as of the second half of 2016. This agreement stipulates 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 4th quarter of 2016 and is 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 would like to benefit from this plan to request suspension of their employment contract in the 4th quarter of 2016 in order to pursue their professional plans outside the company; and

3 - a period between July 2017 and September 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 will have no fewer than 10,000 employees during this period.

During 2016, €135 million was recognized for restructuring of retail stores in accrued liabilities on the one hand (€37 million) and in provisions on the other (€98 million). No provision was recognized for measures provided in steps 2 and 3 described above, as IAS 19 and IAS 37 criteria were not met as of December 31, 2016.

The GPEC Group Agreement was signed on February 1, 2017 by the majority of the representative unions of the SFR Group telecom division. It specifies the external mobility scheme offered to the employees for the period before June 30, 2017.

4. Significant events for the fiscal year ended December 31, 2016 (Continued)

4.9 Sanctions by the French Competition Authority

4.9.1 Sanctions by the French Competition Authority against SFR Group and Altice Luxembourg

On April 19, 2016, the Competition Authority (i) found non-performance of commitment 2.1.3.1 related to the sale of the mobile telecommunication activities of Outremer Telecom in Réunion and Mayotte under Decision 14-DCC-160 of October 30, 2014 concerning the exclusive takeover of SFR by the Altice group, and (ii) levied a financial sanction of €15 million jointly against Altice Luxembourg and SFR Group. SFR group contested this decision before the Council of State. However, as the risk is borne by the Altice Group, no provision was recognized in the consolidated financial statements of the Group.

4.9.2 Sanction by the French Competition Authority for violation of the suspensive nature of the control of concentrations

On November 8, 2016, SFR Group and Altice have been notified of the decision of the French Competition Authority sentencing them to a €80 million gun-jumping fine in connection with the 2014 acquisition of SFR and Virgin Mobile.

The denounced practices, which aimed to make the new entity operational as soon as possible after obtaining clearance of the transaction, were performed in good faith, in the midst of legal uncertainty. The Group chose not to refute these practices and to accept the French Competition Authority's settlement offer. The Group chose to settle the matter in order to limit its financial exposure, given the level of penalties imposed for this type of procedural violation under the French Commercial Code. The payment of this fine, fully borne by SFR Group, was made in February 2017.

5. Significant events for the fiscal year ended December 31, 2015

5.1 Memorandum of Understanding (MoU) signed with Vivendi on February 28, 2015

On February 18, 2015, Numericable-SFR (becoming SFR Group in 2016) and its majority shareholder Altice filed a firm offer to buy the 20% interest held by Vivendi in Numericable-SFR, at €40 per share, representing a total of approximately €3.9 billion.

On February 27, 2015, Vivendi's Supervisory Board accepted SFR Group's offer, signing final agreements to buy the 20% interest held by Vivendi.

The acquisition was completed on May 6, 2015, half of it paid by SFR Group as part of a share repurchase plan authorized by the Shareholders' Meeting of April 28, 2015, combined with a cash payment, and the other half paid by Altice.

The share purchase made by SFR Group, for a total of €1,948 million, was financed through a Revolving Credit Facility (RCF) drawdown (the available amount was raised by €750 million to €1,125 million in 2015) of €1,050 million and the balance from the Group's available cash.

At its meeting of May 28, 2015, the Board of Directors decided to cancel treasury shares (48,693,922 shares), reducing consolidated equity by €1,948 million.

Again under the MoU signed with Vivendi:

(i) In early May 2015, Vivendi paid to SFR Group €116 million under the price adjustment procedure agreed between the parties for the acquisition of SFR. This price adjustment was recognized as follows:

  - in the Group's "restated" Consolidated Financial Statements at December 31, 2014: recognition of a claim on Vivendi in the "Other current financial assets" caption for €120 million (representing the price adjustment as valued at the acquisition date) through a reduction of the goodwill recognized in the SFR acquisition;
  - in the 2015 Consolidated Financial Statements: recognition of a financial expense in the amount of €4 million (presented in "Other financial expenses").

5. Significant events for the fiscal year ended December 31, 2015 (Continued)

(ii) Vivendi permanently waived the earn-out payment of €750 million that SFR Group would have owed to Vivendi if EBITDA - Capex had reached €2 billion in any fiscal year before December 31, 2024. The Group reported net financial income of €643.5 million (excluding tax effects) for 2015, corresponding to the discounted value of the earn-out in the Group's non-current financial liabilities at December 31, 2014, as well as tax income of €40.5 million in 2015. The €643.5 million was recognized a financial income insofar as there was no element indicating that the waiver of the earn-out was known at the time of the acquisition.

(iii) Vivendi undertook to repay to SFR, should the tax authorities definitively disallow the merger of SFR and Vivendi Telecom International (VTI) signed in December 2011, up to €711 million that SFR had paid to it as part of its inclusion in Vivendi's tax consolidation group.

5.2 New Term loans for a total amount equivalent to €1,680 million

On October 22, 2015, the Group successfully raised two new term loans: (i) one for $1,340 million and (ii) another for €500 million (the "Term Loans"). The Term Loans have a fixed maturity in January 2023 and bear interest at LIBOR/EURIBOR (with a floor at 0.75%) plus a margin of 4.00%. The two loans were placed at 98.5% of their face value.

The total amount of the Term Loans denominated in US dollars was converted into a euro loan for €1,184 million with a margin of 4.15% plus the EURIBOR (without a floor) using currency and rate hedging instruments.

Following the placement of these new debts, the average maturity of the Group debt rose from 5.9 years to 6.1 years, and the average cost of the debt from 4.8% to 4.9%.

5.3 Mobile telephony frequencies assigned to SFR

On November 24, 2015, pursuant to Decision 2015-1454, ARCEP selected SFR for the acquisition of 2*5 MHz in the 700 MHz band.

The authorization to use the frequencies was issued by ARCEP on December 8, 2015, Decision 2015-1569. At that date, the license was capitalized for €466 million (excluding spectrum readjustment costs). The commitments related to this license are described in Note 33 – *Contractual commitments and obligations*.

6. Changes in scope

Over the fiscal year ended December 31, 2016, the consolidation scope, as detailed in Note *35—List of consolidated entities* of the Group's 2015 annual consolidated financial statements, has changed as follows:

- Acquisition under common control of Altice Media Group France;
- Acquisition under common control of Altice Content Luxembourg (primary shareholder of NextRadio TV group);
- Change of consolidation method for Numergy (full consolidation instead of equity method consolidation) following the takeover described in Note 4—S*ignificant events for the fiscal year ended December 31, 2016;*
- Merger of LTI into Futur Telecom.

The acquisitions of Altice Media Group France (hereinafter "AMGF") and of Altice Content Luxembourg (hereinafter "ACL") were considered as "business combinations under common control" as defined by the IFRS standards and, in this respect, excluded from the scope of application of the revised IFRS3. These transactions were recorded in the consolidated financial statements at historic accounting values for the two entities in order to, as indicated in IAS 8, disclose the most relevant information. The treatment was as follows:

- The combination date is the acquisition date;
- The purchaser is SFR Group;

6. Changes in scope (Continued)

- The values adopted for newly-consolidated companies are the carrying amounts in the consolidated financial statements of, respectively, Altice Media Group for AMGF and Altice N.V. for ACL on the acquisition date;
- No new goodwill is generated by these transactions and the difference between the acquired net position and the acquisition price of securities is allocated to equity.

No pro forma information was prepared given that these entries into the scope are immaterial at group level; in fact, given that the impact of these entries is lower than 25% of the Group's key indicators, the pro forma information is not mandatory according to the French Financial Market Authority's (*Autorité des Marchés Financiers*) Instruction 2013-08. The consolidated statement of income therefore includes eight months of activity for ACL and seven months of activity for AMGF.

Furthermore, since the activity of the purchased companies is organized around the press and television, the Group considered it relevant to create a new operational segment "Media" in the context of IFRS 8—*Operating segments* (see Note 8—*Segment information*).

6.1 Altice Media Group France

On May 25, 2016, the completion date, the Group acquired AMGF for the amount of €196 million corresponding to (i) €22 million, for the purchase by the Company of the convertible bonds issued by AMGF and subscribed by HoldCo B, (ii) €54 million to shareholder loans and (iii) €120 million for the acquisition by the Company of 100% of the shares held by Altice Media Group in AMGF. The financing of these transactions originated from the existing resources of SFR Group and from a loan granted by the seller for an amount of €100 million, recorded under "Other current financial liabilities".

The impact of the entry of AMGF in to the scope is broken down below:

(in € millions)	Net carrying amount
Non- current assets	231
Current assets	151
Assets	**382**
Non- current liabilities	139
Current liabilities	247
Liabilities	**386**
Equity acquired (a)	**(5)**
Acquisition share's price (b)	**120**
Impact on equity (a) - (b)	***(125)***
- Equity, Group share	*(127)*
- Non-controlling interests	*2*

Since the portion of liabilities acquired corresponding to convertible bonds and shareholder's loans were intercompany transactions, they were eliminated in the consolidated financial statements after the acquisition..

The total goodwill included in the non-current assets of AMGF amounts to €129 million (see Note 14 – *Goodwill and impairment tests*).

On October 5, 2016, the sole shareholder of AMGF decided to change the corporate name from "Altice Media Group France" to "SFR Presse".

6.2 Altice Content Luxembourg

On May 12, 2016, the completion date, the Group acquired ACL for the amount of €635 million corresponding to (i) €334 million of convertible bonds issued by Groupe News Participations and subscribed by Altice Content, (ii) €123 million in shareholder loans, (iii) €166 million for the Company's acquisition of 75% of the shares held by Altice Content in Altice Content Luxembourg and (iv) €11 million for the accrued interest on the convertible bonds and shareholder loans.

6. Changes in scope (Continued)

The impact of the entry of Altice Content Luxembourg in to the scope is broken down below:

	Net carrying amount
	(in € millions)
Non-current assets	728
Current assets	125
Assets	**853**
Non-current liabilities	669
Current liabilities	112
Liabilities	**782**
Equity acquired (a)	**71**
Acquisition share's price (b)	**166**
Impact on equity (a) - (b)	***(95)***
- Equity, Group share	*(60)*
- Non-controlling interests	*(36)*

Since the portion of liabilities acquired corresponding to convertible bonds and shareholder's loans were intercompany transactions, they were eliminated in the consolidated financial statements after the acquisition.

The Purchase Price Accounting is finalized: the total goodwill included in the non-current assets of ACL now amounts to €457 million (see Note 14 – *Goodwill and impairment tests*).

Special case of NextRadioTV

SFR Group indirectly holds a 49% minority stake in French media operator NextRadioTV, acquired under the following terms:

Initially, on August 27, 2015 Altice Content Luxembourg, a Luxembourg company wholly controlled by Altice NV, acquired 49% of the share capital of Groupe News Participations ("GNP"), a French company whose remaining 51% was owned by News Participations, itself controlled by Alain Weill, the controlling shareholder of NextRadioTV.

GNP subsequently acquired all of the share capital of NextRadioTV, which was listed on Euronext Paris:

- by the off-market purchase in December 2015 of blocks of shares (including the controlling stake indirectly held by Alain Weill), directly and indirectly giving it 50.42% of the capital and 61.83% of the voting rights in NextRadioTV;
- by the purchase of the remaining shares via a simplified public takeover bid completed on February 1, 2016, followed by a compulsory squeeze-out procedure.

This acquisition was financed by the issue of GNP convertible bonds (€310 million "**OC1**" and €360 million "**OC2**"), fully subscribed by Altice Content Luxembourg and its parent company, Altice Content.

At the same time, a memorandum of understanding and a shareholders' agreement were signed specifying that (i) Alain Weill would become Chairman of the Board of Directors of GNP, (ii) News Participations would appoint the majority of the members of the GNP Board of Directors, (iii) Altice Content Luxembourg would have no right to veto strategic decisions at GNP, (iv) Alain Weill would head up the media activities of the entire Altice Group, and (v) sale and purchase options would be signed between News Participations and Altice Content Luxembourg for News Participations' majority stake in GNP.

6. Changes in scope (Continued)

All this information was submitted to the French Competition Authority and to the French broadcasting regulator CSA, who confirmed that, in their respective areas of responsibility, NextRadioTV remained exclusively controlled by Alain Weill.

Lastly, on May 12, 2016, SFR Group purchased from Altice Content (i) its stake in Altice Content Luxembourg (and indirectly its minority stake in GNP), (ii) the receivables held by Altice Content against Altice Content Luxembourg, and (iii) the GNP OC2 convertible bonds held by Altice Content. As part of the outcome of this project, Alain Weill joined the Board of Directors of SFR Group and was appointed Chief Executive Officer of SFR Group media activities.

Accordingly, the management of SFR Group believes that, in terms of IFRS standards, GNP Group should be regarded as fully consolidated from May 12, 2016, mainly due to: (i) the management roles performed at SFR Group and generally at Altice Group by Alain Weill, the indirect majority shareholder in GNP; (ii) SFR Group's very high exposure to variable GNP returns, especially through the OC1 and OC2 convertible bonds issued by GNP, and SFR Group's ability to cover that exposure by exercising the bond conversion options and/or its option to purchase the News Participations stake in GNP.

The purchase option mentioned above has been measured at its most probable present value which will be paid in accordance with IAS32 – *Financial Instruments: Presentation*, i.e. €59 million. This amount is included in "Other non-current financial liabilities".

SFR Group treated this transaction as an acquisition under commun control and therefore generated no goodwill.

7. Reconciliation of operating income to adjusted EBITDA

For the purpose of segment information, the following table shows the reconciliation of the operating income in the Consolidated Financial Statements to adjusted EBITDA:

	December 31, 2016	December 31, 2015
	(in € millions)	
Operating income	**954**	**937**
Depreciation, amortization and impairment	2,435	2,554
SFR and Virgin Mobile acquisition expenses	—	16
Restructuring costs[a]	167	80
Costs relating to stock option plans	4	9
Other non-recurring costs[b]	278	263
Adjusted EBITDA	**3,838**	**3,860**

(a) *In 2016, it includes the restructuring costs for retail stores for €37 million and the provisions for restructuring of the retail stores for €98 million (see Note 4—Significant events for the fiscal year ended December 31, 2016). In 2015, this item included the costs for restoration of the tertiary sites resulting from the combination of the employees on the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).*

(b) *It includes net costs related to litigation (€162 million compared with €27 million as of December 31, 2015), net losses on property, plant and equipment and intangible assets (€51 million compared with €188 million as of December 31, 2015) and the impact of contract renegotiation in the period (€13 million compared with €45 million as of December 31, 2015).*

For the record, the definition of adjusted EBITDA and non-recurring income and expenses are presented in Note 2.4—*Adjusted EBITDA*.

8. Segment information

Following the acquisitions of AMGF and ACL (including NextRadioTV) described in Note 4—*Significant events for the fiscal year ended December 31, 2016*, the Group has defined a new operating segment in addition to the four operating segments described in Note *2.6—Segment information.*

- B2B Operations
- B2C Operations
- Wholesale
- Media

The following tables show revenue and adjusted EBITDA broken down by the operating segments defined by the Group. For information, these two aggregates are performance indicators used and monitored by the Group to direct operating activities.

8.1 Revenue

Revenue is primarily generated in France.

The breakdown by operating segments before intra-segment eliminations is as follows:

	December 31, 2016	December 31, 2015
	(in € millions)	
B2C	7,482	7,795
B2B	2,090	2,144
Wholesale	2,077	1,799
Media	312	—
Intercompany	(970)	(699)
Total	**10,991**	**11,039**

The contribution to revenue is detailed as follows:

	December 31, 2016	December 31, 2015
	(in € millions)	
B2C	7,354	7,595
B2B	2,013	2,116
Wholesale	1,323	1,328
Media	301	—
Total	**10,991**	**11,039**

8.2 Adjusted EBITDA

The contribution to adjusted EBITDA breaks down by segment as follows:

	December 31, 2016	December 31, 2015(*)
	(in € millions)	
B2C	2,531	2,552
B2B	740	758
Wholesale	527	551
Media	40	—
Total	**3,838**	**3,860**

(*) *Following an analysis of the allocation of indirect costs and in order to make segment reporting more relevant and comparable, the 2015 adjusted EBITDA breakdown has been restated.*

9. Staff costs and average number of employees

Staff costsbreak down as follows:

	December 31, 2016	December 31, 2015
	(in € millions)	
Average annual headcount (full-time equivalent)[a]	**17,669**	**15,816**
Wages and salaries	(795)	(706)
Social security costs	(334)	(328)
Employee profit-sharing	(50)	(52)
Capitalized payroll costs	267	270
Staff costs	**(911)**	**(816)**
Costs related to stock option plans	(4)	(9)
Employee benefit plans	(10)	(10)
Other[b]	(19)	(43)
Staff costs and employee benefit expenses	**(945)**	**(877)**

[a] *Of which Media: 2,300 FTE.*

[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 €58.8 million. This amount is mainly comprised of the restructuring costs for retail business for €37 million and the SFR Presse restructuring costs for €8 million (see Note 4—*Significant events for the fiscal year ended December 31, 2016*).

10. Other operating expenses

Other operating expenses consist primarily of the following items:

	December 31, 2016	December 31, 2015
	(in € millions)	
Network operation and maintenance	(771)	(807)
Sales and marketing	(518)	(615)
Customer service	(495)	(514)
General and administrative expenses	(248)	(309)
Taxes	(230)	(223)
Other operating expenses	**(2,263)**	**(2,467)**

11. Non-recurring income and expenses

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

	December 31, 2016	December 31, 2015
	(in € millions)	
Net restructuring costs	(167)	(80)
Litigation	(162)	(27)
Net loss on disposal of property, plant, equipment and intangible assets	(51)	(188)
Other non-recurring income and expenses	(52)	(20)
Non-recurring income and expenses	**(432)**	**(314)**

See Note 2.4—Adjusted EBITDA and Note 7—Reconciliation of operating income to adjusted EBITDA.

12. Net financial income

The cost of gross financial debt went up from €781 million in 2015 to €1,043 million in 2016. It is primarily comprised of the following elements:

- The interest on the senior debt (Bonds and Term Loans) increased from €616 million in 2015 to €797 million in 2016. The increase in interest compared to 2015 can be explained by (i) new term loans issued in July and November 2015 and (ii) the higher cost of debt following the partial refinancing in April 2016 and (iii) the increase of the financial debt over 2015 and 2016. It should be noted that the refinancing of November 2016 has reduced the cost of the debt;
- The amortization of financial expenses relating to the financing arrangement, which represents a charge of €101 million in 2016 versus €10 million in 2015. In 2016, this amount included a non-recurring expense of €59 million for the unamortized portion of the expenses on the debt extinguished in April and May 2016 following the refinancing of April 2016 (€57 million) and on the debt extinguished in November 2016 following the refinancing of October 2016 (€2 million);
- In July 2015, the Group established mirror swaps against the swaps covering the 2022 and 2024 Bonds to make the rates variable over the period from 2019-2022. Because of the value of the fixed-rate swaps replaced, the counterparties agreed to pay a cash balance of €102 million in January 2016. However, the payment of this balance and the features of these mirror swaps resulted in a negative change of €189 million in the fair value of the derivative. As a result, the net impact of these mirror swaps on the financial result was a negative €88 million;
- The refinancing of April 2016 led to exceptional financial charges. Thus, in addition to the amortization of €57 million for the unamortized portion of the expenses of the debts extinguished in April and May 2016, the Group recorded a charge of €79 million for the early repayment fees of the US$2.4 billion 2019 Bond and a charge of €85 million on the cancellation of the hedging instrument associated with this bond. This last charge has no impact on cash because it relates to a reclassification of the interest rate effect of this hedge between equity and income statement. Excluding the amount of €2 million for the unamortized portion of the expenses on the debt extinguished in November 2016, the refinancing of October 2016 did not generate fees due to early repayment or restructuration of hedging instruments. There were no such exceptional financial charges in 2015;
- The other changes are due to the inefficiency of the hedging relationships and to the effects of derivative instruments not classified as hedge accounting. It should be noted that the Group arranged cross-currency swaps to hedge the EUR/USD exchange rate risk stemming from the interest payments and repayment of principal to be made in US dollars for all its major bonds and bank loans.

Financial income and other financial expenses are detailed below:

	December 31, 2016	December 31, 2015
	(in € millions)	
Extinction of the Earn-out liability to Vivendi[(a)]	—	644
Other financial income	10	138
Financial income	**10**	**782**
Provisions and unwinding of discount	(34)	(18)
Other	(44)	(29)
Other financial expenses	**(78)**	**(47)**

(a) During the first quarter of 2015, Vivendi definitively waived the potential earn-out of €750 million. Accordingly, the Group recognized net financial income of €644 million representing the discounted value of the earn-out that appeared in the Group's non-current financial liabilities as of December 31, 2014.

13. Income tax expense

13.1 Income tax expense components

	December 31, 2016	December 31, 2015
	(in € millions)	
Tax income (expense)		
Current	(181)	(232)
Deferred	124	17
Income tax income (expense)	**(57)**	**(215)**

13.2 Tax proof

	December 31, 2016	December 31, 2015
	(in € millions)	
Net income (loss)	(218)	682
Neutralization:		
Income tax expense (income)[d]	(57)	(215)
Share in net income (loss) of associates	(4)	6
Profit before taxes	**(157)**	**892**
Statutory tax rate in France	34.43%	38.00%
Theoretical income tax[d]	**54**	**(339)**
Reconciliation between the theoretical tax rate and the effective tax rate:		
Effects of permanent differences[a]	(105)	258
Tax credits/tax assessments	31	(42)
CVAE net of current and deferred taxes[b]	(49)	(41)
Differences on income tax rate[c]	99	(28)
Reassessments of deferred taxes[d]	(92)	(23)
Other	6	1
Income tax income (expense)	**(57)**	**(215)**
Effective tax rate[d]	(36.3%)	24.1%

[a] *Corresponds primarily in 2016 to the reintegration of net financial charges and in 2015 to the theoretical tax calculated on the financial income of €750 million recognized following Vivendi's waiver of the potential earn-out (see Note 4—Significant events for the fiscal year ended December 31, 2016).*

[b] *Corresponds to the tax charge on the added value of businesses (CVAE) reclassified as corporate income tax under the IFRS (€81 million), net of the tax (€32 million).*

[c] *Article 11 of the Budget Act 2017 prescribes a progressive decrease of the income tax rate at 28% (28.9% including the social surtax of 3.3%) after 2020 for all companies. This new rate was applied to all temporary differences whose maturity appears at the earliest in 2020. As of December 31, 2015, the rate used to calculate deferred taxes fell from 38% to 34.43%.*

[d] *The Group reviewed the deferred tax assets by taking into account the impacts in 2017 of the voluntary departure plan described in Note 4—Significant events for the fiscal year ended December 31, 2016, the rate becomes mechanically negative because an amount of tax is recognized whereas net income before tax is negative.*

13. Income tax expense (Continued)

13.3 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:

	December 31, 2015	Income statement	Other*	December 31, 2016
		(in € millions)		
Deferred tax assets				
Tax losses[(a)]	891	(212)	84	763
Provisions	92	67	18	176
Property, plant and equipment and intangible assets	388	(140)	0	248
Derivative instruments	74	35	95	204
Other	142	(14)	(6)	122
Offsetting[(b)]	(730)	—	32	(698)
Deferred tax assets, gross	**856**	**(265)**	**224**	**815**
Unrecognized tax assets				
Tax losses[(a)]	(601)	85	(36)	(552)
Other	(253)	13	(0)	(241)
Deferred tax assets, net	**2**	**(167)**	**187**	**22**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(1,378)	303	(58)	(1,132)
Derivative instruments	(91)	(13)	—	(104)
Other	(78)	1	1	(77)
Offsetting[(b)]	730	—	(32)	698
Deferred tax liabilities	**(816)**	**291**	**(90)**	**(615)**
Net deferred tax assets (liabilities)	**(814)**	**124**	**98**	**(593)**

* *In particular, this amount includes in net value €100 million related to financial instruments and actuarial variances (refer to the consolidated statement of comprehensive income). The impact of changes in scope on deferred tax assets (which is €48 million for deficits and €9 million for temporary differences) is quasi-neutralized by the impact on deferred tax liabilities (which is €59 million primarily related to the intangible assets recognized by the AMGF and NextRadioTV companies).*

(a) *As of December 31, 2016, the Group recognized a deferred tax asset for €211 million 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.*

13.4 Tax receivables and payables

At year-end, tax receivables for €159 million corresponded mainly to the corporate income tax installments paid in 2016. Tax payables for €207 million corresponded to the provision for 2016 income tax.

14. Goodwill and impairment tests

14.1 Change in goodwill

	December 31, 2016	December 31, 2015
	(in € millions)	
Net carrying amount	10,554	10,554
Acquisitions	592	—
Net value at end of year	**11,146**	**10,554**

The table below presents the details of the amount of goodwill generated by the acquisition of Numergy and the goodwill included in the accounts of the purchased companies SFR Presse (ex. AMGF) and ACL, along with the acquisition dates:

	(in € millions)
Numergy—January 18, 2016	5
SFR Presse (ex AMGF)	**129**
L'Express Group (ex.GAM)—May 31, 2015	*53*
Libération—December 31, 2015	*43*
I24 News—September 30, 2015	*14*
Middle East News—April 30, 2016	*9*
NewsCo Group—December 31, 2015	*11*
ACL	**457**
NextRadioTV Group—December 31, 2015	*457*
Total	**592**

The allocation of goodwill generated by the acquisitions carried out by AMGF before its entry in the Group, led to the recognition of an amount of €54 million for the acquired brands, the related deferred tax liability of €19 million and residual goodwill of €129 million.

These brands have not been amortized considering their indefinite life span.

The allocation of ACL goodwill by Altice finalized as of December 31, 2016 led to the recognition of an amount of €45 million for the acquired brands, €96 million for the operating licenses, €23 million for the programs, the related deferred tax liability of €56 million, €63 million as a non-controlling interest adjustment and residual goodwill of €457 million.

14.2 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 (see Note 2.6—*Segment information).*

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:

	December 31, 2016	December 31, 2015
	(in € millions)	
B2C Operations	5,613	5,613
B2B Operations	3,022	3,017
Wholesale	1,924	1,924
Media	587	—
Total	**11,146**	**10,554**

Media activities were valued very recently as part of their acquisition; the purchase price has been assessed by the management and reflects the fair value of these activities as of December 31, 2016.

14. Goodwill and impairment tests (Continued)

14.3 Principal assumptions used

The goodwill impairment test (excluding Media) 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 2.14—*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 2.14—*Impairment of assets,* the determination of the value in use also depends on assumptions such as the discount rate and the perpetuity growth rate.

The value in use is determined from the following estimates at December 31, 2016:

Basis of recoverable amount	Value in use
Methodology	DCF
Projection period	5 years
Post-tax discount rate	6.80%
Perpetuity growth rate	1.30%

As of December 31, 2016, 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	1.7pt	1.6pt	0.6pt
Growth rate decrease	n.a.	n.a.	- 0.8pt
Decrease in the adjusted Ebitda margin over the business plan and terminal value period	- 5.8pt	- 4.2pt	- 2.5pt

15. Other intangible assets

15.1 Intangible assets by type

The following is a breakdown of intangible assets by type:

	December 31, 2016			December 31, 2015		
	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
			(in € millions)			
SFR trade name[(a)]	1,050	(146)	904	1,050	(76)	974
Other trade name[(b)]	73	(3)	70	0	(0)	0
Licenses[(c)]	2,286	(301)	1,985	2,190	(149)	2,041
Customer bases[(d)]	2,875	(744)	2,131	2,875	(368)	2,508
Software	2,247	(1,134)	1,114	1,887	(754)	1,134
Other intangible assets[(e)]	2,698	(1,302)	1,396	2,316	(989)	1,327
Total	**11,229**	**(3,629)**	**7,600**	**10,318**	**(2,335)**	**7,983**

(a) The SFR brand was valued at the time of application of Purchase Price Accounting and is amortized over 15 years.

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

15. Other intangible assets (Continued)

(c) Includes the licenses held by:

- *SFR at the time it was acquired (see Note 2.11—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, 2016, the customer base was 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 programms.

15.2 Change in net intangible assets

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

	December 31, 2016	December 31, 2015
	(in € millions)	
Net carrying amount in the opening balance	**7,983**	**8,395**
Amortization and impairment	(1,420)	(1,454)
Acquisitions	795	1,158
Disposals	(23)	(147)
Changes in scope	248	—
Reclassification to assets held for sale	(29)	—
Other	46	32
Net carrying amount in the closing balance	**7,600**	**7,983**

15.3 Breakdown of amortization and impairment

The following is a breakdown of amortization and impairment:

	December 31, 2016	December 31, 2015
	(in € millions)	
SFR trade name	(72)	(70)
Licenses	(147)	(137)
Customer bases	(376)	(336)
Software	(431)	(447)
Other intangible assets	(394)	(464)
Total	**(1,420)**	**(1,454)**

16. Property, plant and equipment

16.1 Property, plant and equipment by type

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

	December 31, 2016			December 31, 2015		
	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
			(in € millions)			
Land	93	(1)	91	90	(1)	88
Buildings	1,715	(309)	1,405	1,656	(257)	1,399
Technical equipment	5,690	(2,464)	3,226	5,235	(2,158)	3,078
Assets in progress	523	(0)	522	344	(7)	338
Other	1,625	(850)	775	1,266	(543)	724
Total	**9,645**	**(3,625)**	**6,021**	**8,591**	**(2,965)**	**5,627**

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).

16.2 Change in net property, plant and equipment

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

	December 31, 2016	December 31, 2015
	(in € millions)	
Net carrying amount in the opening balance	**5,627**	**5,643**
Amortization, depreciation and impairment	(1,015)	(1,100)
Acquisitions	1,517	1,213
Disposals	(81)	(80)
Changes in scope	23	—
Reclassification to assets held for sale	(0)	—
Other	(51)	(50)
Net carrying amount in the closing balance	**6,021**	**5,627**

16.3 Breakdown of amortization and impairment

The following is a breakdown of amortization and impairment:

	December 31, 2016	December 31, 2015
	(in € millions)	
Buildings	(128)	(140)
Technical equipment	(546)	(575)
Assets in progress	7	(0)
Other	(347)	(384)
Total	**(1,015)**	**(1,100)**

16. Property, plant and equipment (Continued)

16.4 Property, plant and equipment financed by finance leases

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

	December 31, 2016	December 31, 2015
	(in € millions)	
Land	2	6
Buildings	13	32
Technical equipment	106	88
Other	14	3
Total	**135**	**128**

17. Investments in associates

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

	(in € millions)
Balance as of December 31, 2015	**110**
Change in scope[(a)]	27
Cancellation of capital[(b)]	(79)
Dividends paid	(13)
Income / Loss	(4)
Other	6
Balance as of December 31, 2016	**46**

(a) Corresponds to the entry into the scope of the NextRadioTV Group and SFR Presse (ex. AMGF) companies.

(b) Corresponds to the cancellation of the non paid-up capital of Numergy (see Note 4.2—Takeover of Numergy).

17.1 Main interests in associates

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

	December 31, 2016	December 31, 2015
	(in € millions)	
Numergy	—	78
Diversité TV France[(d)]	23	—
La Poste Telecom[(a)]	(0)	—
Other associates	22	26
Associates	**45**	**104**
Synerail[(b)]	—	—
Foncière Rimbaud[©]	1	6
Joint ventures	**1**	**6**
Total	**46**	**110**

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 €24.9 million at year-end 2016.

17. Investments in associates (Continued)

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. The negative value of the equity interests in Synerail was adjusted to zero by offsetting against provisions totaling €0.5 million at end-2016.

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.

The shareholding percentages of these principal equity associates are indicated in Note 35—*List of consolidated entities*.

17.2 Condensed financial information

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

	Numergy		La Poste Telecom		Synerail	
	2016	2015	2016	2015	2016	2015
			(in € millions)			
Revenues	—	4	214	202	82	167
Net income (loss)	—	(16)	(19)	(9)	11	2
Equity	—	168	(90)	(83)	(3)	(15)
Cash (-)/Net debt (+)	—	2	56	51	526	487
Total balance sheet	—	175	45	38	610	598

18. Other non-current assets

	December 31, 2016	December 31, 2015
	(in € millions)	
Derivative financial instruments[a]	1,886	1,915
Other[b]	244	198
Non-current financial assets	2,131	2,112
Other non-current assets	21	57
Other non-current assets	**2,151**	**2,169**

[a] *See Note 25.1—Fair value of derivative instruments.*

[b] *Includes the offsetting entry for the financial income of €124 million recognized for the guarantees granted by Vivendi.*

19. Inventories

	December 31, 2016	December 31, 2015
	(in € millions)	
Inventories of terminals and accessories	257	317
Other	24	13
Inventories—gross	**281**	**331**
Impairment	(45)	(45)
Inventories—net value	**235**	**286**

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

The handsets inventories at year-end consisted of €87.9 million classified as inventories on deposit with distributors (classified as agents) compared with €110.2 million in 2015.

20. Trade and other receivables

	December 31, 2016	December 31, 2015
	(in € millions)	
Trade receivables[(a)]	2,518	2,277
Impairment of doubtful debts[(b)]	(491)	(442)
Trade receivables, net	2,027	1,835
Receivables from suppliers	203	217
Tax and social security receivables	709	538
Prepaid expenses	218	108
Other receivables non-operating	55	25
Trade and other receivables, net	**3,212**	**2,723**
Corporate tax[(c)]	159	270
Corporate tax integration receivables	—	1
Tax receivables	**159**	**271**

(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 2016.

21. Other current financial assets

	December 31, 2016	December 31, 2015
	(in € millions)	
Dividends	—	—
Other	4	2
Other current financial assets	**4**	**2**

22. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

	December 31, 2016	December 31, 2015
	(in € millions)	
Cash	314	210
Cash equivalents[a]	138	144
Cash and cash equivalents	**452**	**355**

[a] *Cash equivalents mainly correspond to money-market UCITS.*

23. Equity

As of December 31, 2016, SFR Group's share capital, based on the number of shares issued at that date, amounted to €442,532,156 comprising 442,532,156 ordinary shares with a nominal value of €1 each.

23.1 Change in share capital

Date	Transaction	Shares issued
December 31, 2015		**440,129,753**
January to December	Exercise of stock options	2,402,403
December 31, 2016		**442,532,156**

23.2 Treasury shares

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its traded shares and the regularity of their prices on NYSE Euronext Paris.

As of December 31, 2016, the Group held 48,282 treasury shares as part of the liquidity contract.

23.3 Earnings per share

The following table shows the bridge between basic income per share and diluted income per share:

	December 31, 2016	December 31, 2015
	(in € millions)	
Net income used for calculating basic earnings per share	**(210)**	**675**
Impact of dilutive instruments:		
Stock option plans[a]	—	—
Net income used for calculating diluted earnings per share	**(210)**	**675**

[a] *Stock options granted at end-2016 are non-dilutive in view of the change in share price between the grant date and the balance sheet date, and the valuation of the plans.*

The table below shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	December 31, 2016	December 31, 2015
	(number of shares)	
Weighted average number of ordinary shares	**441,987,300**	**458,180,714**
Impact of dilutive instruments:		
Stock option plans[a]	—	—
Weighted average number of shares outstanding—diluted	**441,987,300**	**458,180,714**

[a] *The weighted average number of shares outstanding was not restated for the number of stock option exercised at end-2016 because the stock option plans granted as of December 31, 2016 have no dilutive effect.*

23. Equity (Continued)

23.4 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 SFR Group, 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 year 2016.

24. Financial liabilities

Financial liabilities break down as follows:

	Current		Non-current		Total	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
			(in € millions)			
Bonds	403	173	12,197	9,305	12,600	9,478
Term loans[1]	82	81	4,736	7,050	4,818	7,132
Derivative instruments	—	—	237	87	237	87
Borrowings	**485**	**254**	**17,171**	**16,443**	**17,655**	**16,697**
Finance lease liabilities	43	31	40	35	83	66
Perpetual subordinated notes ("TSDI")	—	—	46	43	46	43
Deposits received from customers	38	14	151	121	188	135
Bank overdrafts	52	126	—	—	52	126
Securitization	263	171	—	—	263	171
Reverse factoring	374	241	—	—	374	241
Commercial paper	249	—	—	—	249	—
Other[2]	136	6	89	16	225	22
Other financial liabilities	**1,155**	**588**	**325**	**215**	**1,480**	**803**
Financial liabilities	**1,640**	**842**	**17,496**	**16,658**	**19,136**	**17,500**

[1] *This amount includes a NextRadioTV term loan (€39 million of which €19 million at short term).*

[2] *This amount includes €100 million of vendor loan related to the acquisition of AMGF and €59 million related to the valuation of the put and call options as part of the acquisition of NextRadioTV.*

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

- As of December 31, 2016: €1 = $1.0541
- As of December 31, 2015: €1 = $1.0887

During the first quarter, the Group set up a commercial paper program amounting to €800 million, which was drawn for €249 million as of December 31, 2016.

24. Financial liabilities (Continued)

The Group ramped up its securitization program by securitizing some Corporate invoices of its Completel subsidiary in addition to the new loans of its SFR subsidiary. The initial sale of these different assets represented a cash inflow of €91 million in 2016.

In 2015, SFR SA, some bank institutions and about fifteen of SFR SA's main suppliers of services of equipment have settled new agreements on the payment of some SFR SA's suppliers' invoices. Banks take over the invoices of these suppliers, against payment at initial maturity of the invoice (reverse factoring). SFR SA commits to pay to the banks the invoice at the extended maturity. The extended maturity could not exceed 360 days after the invoice issuance by the supplier. As of December 31, 2016, around €374 million of these suppliers' invoices were integrated in this maturity extension program. These invoices will mature over the year 2017.

24.1 Bonds

Bonds can be broken down as follows:

				Original amount *(millions)*		Outstanding amount at *(millions) in euros*[3]	
Original currency	Maturity	Coupon *in foreign currency*	Coupon *in euros*[1]	*in foreign currency*	*in euros*[2]	December 31, 2015	December 31, 2016
EUR	May 2022	5.375%	5.375%	1,000	1,000	1,000	1,000
EUR	May 2024	5.625%	5.625%	1,250	1,250	1,250	1,250
USD	May 2019	4.875%	4.354%	2,400	1,736	2,204	—
USD	May 2022	6.000%	5.141%	4,000	2,893	3,674	3,795
USD	May 2024	6.250%	5.383%	1,375	994	1,263	1,304
USD	April 2026	7.375%	6.177%	5,190	4,194	—	4,924
Total					**12,067**	**9,392**	**12,273**

[1] *Corresponds, for US dollar bonds, to the interest rate of hedging instruments.*

[2] *Corresponding value at the exchange rate of the hedging instruments (€1 = $1.3827 for the bonds maturing in 2019, 2022 and 2024 and €1 = $1.2375 for the 2026 bond).*

[3] *Amounts expressed exclude accrued interest (€429 million as of December 31, 2016 and €201 million as of December 31, 2015) and exclude the impact of the effective interest rate (€101 million as of December 31, 2016 and €115 million as of December 31, 2015). Including accrued interest and impact of EIR, the total bond borrowings amounted to €12,600 million as of December 31, 2016 and €9,478 million as of December 31, 2015.*

In April 2016, the Group raised a new bond for a total amount of US$5,190 million. This is a new senior bond covered by the same securities as the other bonds or bank loans. It carries a coupon of 7.375% and will mature in April 2026. As for all of the Group's bonds denominated in US dollars, the interest and principal are hedged for the next eight years after the bond is arranged. The average hedging rate is €1 for $1.2375. This rate originates from (i) a US$2,400 million hedge at 1.3827 (reallocation of the hedge instrument value of the 2019 Bond, which has been repaid) and (ii) a US$2,790 million hedge at 1.1350 arranged at the market rate at the time the bond was drawn. The coupon paid in euro equivalent is around 6.18%.

The proceeds from this new bond were used to refinance the loans below:

- The 2019 Bond of US$2,400 million. It should be noted that this Bond was redeemed in May 2016, while the new bond was drawn in April 2016;
- Bank loans B1 and B2 denominated in euros for a total of €627 million;
- A portion of bank loan B4 denominated in euros for a total of €399 million;
- A portion of bank loans B1 and B2 denominated in US dollars for a total of US$1,142 million; and
- €450 million drawn on the revolving credit line.

24. Financial liabilities (Continued)

24.2 Bank borrowings

The bank loans break down as follows (the new tranches issued in 2016 are shown in italics):

				Margin		**Original amount** *(millions)*		**Outstanding amount at** *(millions) in euros*[4]	
Currency	**Tranche**	**Maturity**	**Reference interest rate**	*in foreign currency*[1]	*in euros*[2]	*in foreign currency*	*in euros*	**December 31, 2015**	**December 31, 2016**
EUR	B1/B2/B4	May 2020	Euribor 3M	4.500%	4.500%	1,900	1,900	1,881	—
USD	B1	May 2020	Libor 3M	4.500%	4.214%	1,394	1,008[3]	1,268	—
USD	B2	May 2020	Libor 3M	4.500%	4.209%	1,206	872[3]	1,097	—
USD	B5	July 2022	Libor 3M	4.563%	3.988%	550	498[3]	505	—
USD	B6	Jan. 2023	Libor 3M	4.750%	4.150%	1,340	1,184[3]	1,231	—
EUR	B6	Jan. 2023	Euribor 3M	4.750%	4.750%	500	500	500	—
EUR	*B7*	*April 2023*	*Euribor 3M*	*4.500%*	*4.500%*	*850*	*850*	—	*846*
EUR	B5/B9	July 2023	Euribor 3M	4.000%	4.000%	300	300	300	297
USD	*B7*	*Jan. 2024*	*Libor 3M*	*5.000%*	*4.570%*	*1,425*	*1,031*[3]	—	*1,345*
EUR	B10	Jan. 2025	Euribor 3M	3.750%	3.750%	700	700	—	700
USD	*B8*	*Jan. 2025*	*Libor 3M*	*4.000%*	*3.706%*	*1,790*	*1,594*[3]	—	*1,698*
Revolving Credit Facility (RCF)						—	—	450	—
Total							**10,436**	**7,232**	**4,886**

[1] Including a minimum ("floor") of 0.75%. Interest is payable quarterly at the end of January, April, July and October.

[2] Corresponds to the interest rate of hedging instruments.

[3] For loans in dollars, the corresponding value is calculated at the exchange rate of the hedging instruments (€1=$1.1041 for tranche B5, €1=$1.1318 for tranche B6, €1= $1.3827 for tranches B1, B2 and B7, €1= $1.1231 for tranche B8).

[4] Amounts expressed exclude accrued interest (€32 million as of December 31, 2016 and €49 million as of December 31, 2015) and exclude the impact of the effective interest rate (€140 million as of December 31, 2016 and €149 million as of December 31, 2015). Including accrued interest and impact of EIR, total bank borrowings amounted to €,4,779 million as of December 31, 2016, and €7,132 million as of December 31, 2015. These amounts do not include the bank loan raised by NextRadioTV.

During the April 2016 refinancing, the Group set up two new Term Loan tranches (B7 in euros and B7 in US dollars) in order to repay the loans below:

- A portion of bank loan B4 denominated in euros for a total of €850 million; and
- A portion of bank loans B1 and B2 denominated in US dollars for a total of US$1,425 million.

The combination of the repayments made with the new 2026 Bond (see Note 24.1) and new bank loans resulted in the full repayment of bank loans B1, B2 and B4 denominated in euros and B1 and B2 denominated in US dollars.

The new bank loans have the following characteristics:

- The B7 tranche in US dollars for an amount of US$1,425 million maturing in January 2024 with repayments of 0.25% of the nominal each quarter. This tranche bears interest at three-month Libor (with a floor at 0.75%) plus a margin of 4.25%;
- The B7 tranche in euros for an amount of €850 million maturing in April 2023 with repayments of 0.25% of the nominal each quarter. This tranche bears interest at three-month Euribor (with a floor at 0.75%) plus a margin of 3.75%.

For the tranche in dollars, the cross-currency swaps which hedge this loan show an exchange rate of €1 for US$1.3827. This rate, which is different from the market rate on the draw-down date of the loan, was obtained thanks to the renewal of the hedging instruments arranged at this rate for tranches B1 and B2 in US dollars which were repaid; the amount receivable on the old hedges is offset with the amount payable on the new hedging transactions. The interest (save for the floor, i.e. the Group receives three-month Libor and pays three-month Euribor) are hedged at three-month Euribor plus 4.57%.

24. Financial liabilities (Continued)

In June 2016, the Group received the approval of its lenders to extend the maturity of the Term Loan B5 by one year to July 2023 and reduce the margin 9/16ème (0.5625%) to stand at 3.25%. Following this operation, the Term Loan has been renamed B9.

The Group made another significant refinancing in October 2016. The Group set up two new Term Loan tranches (B10 in euros and B8 in US dollars) in order to fully repay the three loans below:

- The bank loan B6 denominated in euros for a total of €496.25 million;
- The bank loan B5 denominated in US dollars for a total of US$544.5 million; and
- The bank loan B6 denominated in US dollars for a total of US$1,329.95 million.

The portion of the B10 Term loan non-used in the refinancing repaid €100 million of the Revolving Credit Facility.

The new bank loans have the following characteristics:

- The B8 tranche in US dollars for an amount of US$1,790 million maturing in January 2025 with repayments of 0.25% of the nominal each quarter. This tranche bears interest at three-month Libor (with a floor at 0.75%) plus a margin of 3.25%;
- The B10 tranche in euros for an amount of €700 million maturing in January 2025 with repayments of 0.25% of the nominal each quarter. This tranche bears interest at three-month Euribor (with a floor at 0.75%) plus a margin of 3.00%.

For the tranche in dollars, the Group kept in place the cross currency swaps which hedged the B5 and B6 refinanced loans, while reducing the nominal by US$100 million in order to take into account the Group's exposure reduction in US dollars.

As of December 31, 2016, the Revolving Credit Facility ("RCF") was not used; it was drawn by €450 million as of December 31, 2015.

Bank loans, excluding the RCF, will all be repaid at the rate of 0.25% of the nominal amount each quarter.

24.3 Net financial debt

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

	December 31, 2016	December 31, 2015(*)
	(in € millions)	
Bonds	12,273	9,392
Term loans	4,886	7,231
Finance lease liabilities	83	66
Commercial paper	249	—
Bank overdrafts	52	126
Other financial liabilities	72	22
Financial Liabilities contributing to net financial debt[(a)]	**17,615**	**16,836**
Cash and cash equivalents	452	355
Net derivative instruments—currency translation impact	2,367	2,080
Financial Assets contributing to net financial debt[(b)]	**2,819**	**2,435**
Net financial debt (a)—(b)	**14,796**	**14,401**

(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 and earn-out to Vivendi. All these liabilities are translated at the closing exchange rates.*

24. Financial liabilities (Continued)

(b) Asset items consist of cash and cash equivalents and the portion of the fair value of derivatives related to the currency translation impact (€2,080 million as of December 31, 2015 and €2,367 million as of December 31, 2016). The portion of the fair value of derivatives related to the exchange rate impacts (€(252) million as of December 31, 2015 and €(718) million as of December 31, 2016) is not included.

(*) As of December 31, 2015, the portion of the fair value of derivative instruments related to interest rate impacts was indicated in the table but excluded from the net debt. For purposes of simplification, the reported amount as of December 31, 2015 was restated to reflect this portion, the exact amount of which is given in note (b). Moreover, the Other financial liabilities were split in order to have a finer detail.

24.4 Senior Debt Liquidity Risk

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

	2017	2018	2019	2020	2021	2022 and beyond	Total
				(in € millions items)			
USD bonds	529	461	(1,041)	568	(463)	12,132	12,186
USD term loans	122	124	122	(71)	(189)	3,259	3,367
EUR bonds	124	124	124	124	124	2,481	3,102
EUR term loans	94	95	94	93	92	1,906	2,374
RCF	15	15	12	10	5	—	56
Total	**884**	**818**	**(688)**	**724**	**(431)**	**19,778**	**21,086**

The main assumptions used in this schedule are as follows:

- US dollar amounts are translated to euros at the closing rate (€1=$1.0541) 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 25.4—*Liquidity risk on debts in foreign currencies*;
- Calculations of interest are based on the Euribor and Libor rates as of December 31, 2016 (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).

25. Derivative Instruments

25.1 Fair value of derivative instruments

Note	Type	Underlying element		December 31, 2016	December 31, 2015
				(in € millions)	
25.2	Cross-currency swaps	2019 USD bonds		na	430
		2022 USD bonds		761	740
		2024 USD bonds		260	253
		2026 USD bonds		468	na
		2020 USD refinancing term loan		na	261
		2020 USD non-refinancing term loan		na	225
		2022/2025 USD term loan	1	1	(1)
		2023/2025 USD term loan	1/2	42	5
		2024 USD term loan		309	na
		Fixed rate—Floating rate USD		(190)	(86)
25.3	Interest rate swaps	Fixed rate—EURIBOR 3 months		0	na
		Derivative instruments classified as assets		1,886	1,915
		Derivative instruments classified as liabilities		(237)	(87)
		Net Derivative instruments		**1,650**	**1,828**
		o/w currency effect		*2,367*	*2,080*
		o/w interest rate effect		*(718)*	*(252)*

[1] *As explained in Note 24.2, these swaps were not unwound at the time of the refinancing of the Term Loans maturing in 2022 and 2023 but reallocated to the new Term Loan maturing in 2025.*

[2] *Following the debt refinancing, the nominal of this swap was reduced by US$100 million in October 2016.*

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).

As explained above, the hedging instruments for the 2019 Bonds and 2020 Loans ended in April 2016 at the time of the refinancing. Two new hedging instruments were arranged for the 2026 Bonds and the new 2024 Loan.

25.2 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.

25. Derivative Instruments (Continued)

Hedges established are detailed in the table below:

	Notional		Margin		Initial exchange date	Final exchange date	Coupons payment date
	USD	EUR	USD	EUR			
	(in items millions)						
2022 bonds	4,000	2,893	6.000%	5.143%	April 30, 2015	May 15, 2022[1]	February 15-August 15
2024 bonds	1,375	994	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]	January 15-July 15
2026 B bonds	2,790	2,458	7.375%	5.747%	April 11, 2016	April 15, 2024[1]	
2025 term loan	550	498	L+3.250%[2]	E+2.730%[2]	August 3, 2015	July 31, 2022[1]	January 31-April 30-July 31 and October 31
2025 term loan	1,240	1,096	L+4.000%[2]	E+4.150%[2]	November 10, 2015	Jan. 31, 2023[1]	
2024 term loan	1,425	1,030	L+4.250%	E+4.570%	none	Jan. 15, 2024[1]	
Total	**13,780**	**10,705**					

[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 2024 Loan.*

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

[2] *A minimum (floor) of 0.75% applies to the LIBOR and EURIBOR.*

During the refinancing in April 2016, three new hedges were set up for two debt instruments. These new hedges cover the principal and interest of the underlying amounts hedged for eight years in the case of the 2026 Bonds and at maturity for the 2024 Loan:

- 2026 Bond:
  - 2026A Bond: this derivative instrument originates from the hedge for the old 2019 Bond recycled for a portion of the new 2026 Bond. It covers principal and interest for US$2.400 million of the 2026 Bond. The exchange rate is 1.3827, which is the original exchange rate for 2019 Bonds. The main differences are the extension of the hedge and the higher dollar rate (7.375% compared to 4.875%), which explains, with the remuneration of banks, the euro rate differential between the 2026A Bond and the 2026B Bond of around 1% (6.783% vs 5.746%);
  - 2026B Bond: this instrument covers the principal and interests of the 2026 Bond which are not covered by the 2026A Bond instrument. It was set up at market conditions. The exchange rate is 1.1350. The euro rate is 5.75%.
- 2024 Loan: this instrument fully covers the principal and interest of the 2024 Loan until maturity. The exchange rate is 1.3827. The euro rate is 4.57%.

As for all the Group's derivative instruments, the bank counterparties are covered by a five-year early termination clause at the fair value of the hedging instruments.

The refinancing of October 2016 led to the fall of the outstanding amount in US dollars of Term Loans. Indeed, B5 and B6 loans for a total amount of US$1,874 million were refinanced with the B8 new Term Loan of US$1,790 million and a portion of the B10 Term Loan in euros for €700 million. As a result, the Group has partially unwound one of the existing swap (initial exchange date November 10, 2015). The notional in US dollars of this swap has been reduced from US$1,340 million to US$1,240 million and the notional in euros of this swap has been reduced from €1,184 million to €1,096 million. The other terms (despite the fall of the margin of underlying loans) stay the same.

The swap agreements described above are guaranteed and benefit from the same security as granted for bonds and bank loans (see Note 33—*Contractual Obligations and Commitments*).

25. Derivative Instruments (Continued)

25.3 Interest rate swaps

In early July 2015, the Group entered into swaps for the purpose of cancelling the hedging of coupon rates for the USD leg for the 2019-2022 period, concerning the 2022 and 2024 Bonds, against payment of the balance to SFR Group.

Fixed interest rates of 6% and 6.25% respectively on these Bonds were moreover changed to floating Libor rates, plus a margin of 2.03% and 2.28% respectively (for the 2019-2022 period).

In February 2016, the Group entered into an interest rate swap with the characteristics below:

- Principal: €4,000 million
- SFR Group 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)

As these swaps were not classified as hedges, changes in their fair value were recognized directly in profit or loss.

25.4 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 = $1.0541);
- Calculations of interest are based on the EURIBOR and LIBOR rates as of December 31, 2016 (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.

	2017	2018	2019	2020	2021	2022 and beyond	Total
				(in € millions)			
USD Bonds (a)	**529**	**461**	**(1,041)**	**568**	**(463)**	**12,132**	**12,186**
Flows in USD	766	671	671	671	671	12,132	15,582
Swap—Flows in USD	(766)	(671)	(6,630)	(362)	(6,365)	—	(14,794)
Swap—Flows in EUR	529	461	4,918	259	5,230	—	11,398
USD Term loans (b)	**122**	**124**	**122**	**(71)**	**(189)**	**3,259**	**3,367**
Flows in USD	172	173	171	170	169	3,259	4,114
Swap—Flows in USD	(154)	(154)	(154)	(2,088)	(1,484)	—	(4,033)
Swap—Flows in EUR	105	105	105	1,847	1,126	—	3,287
Total = (a) + (b)	**651**	**585**	**(918)**	**497**	**(652)**	**15,391**	**15,553**

25.5 Credit risk and counterparty risk

SFR Group is exposed to bank counterparty risk in its investments and derivatives; SFR Group 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.

26. Provisions

The following table details the amount of provisions:

	December 31, 2016					
	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
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*

(a) *Employee benefit plans: see Note 28—Post-Employment Benefits.*

(b) *Includes mainly provisions for restructuring of distributors for an amount of €100.5 million and the employment protection plan of SFR Presse for an amount of €17.9 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 (see Note 34—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 2015 is presented below:

	December 31, 2015					
	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
Employee benefit plans	121	12	(0)	—	(8)	125
Restructuring	11	56	(27)	(0)	14	55
Technical site restoration	76	4	(2)	—	39	117
Litigation and other	756	157	(68)	(72)	(16)	758
Provisions	**965**	**230**	**(97)**	**(72)**	**29**	**1,055**
Current provisions	*330*	*107*	*(64)*	*(45)*	*(0)*	*328*
Non-current provisions	*635*	*122*	*(33)*	*(27)*	*29*	*727*

27. 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 SFR Group and employees of the Group.

The exercise of options is subject to conditions of employment and performance (based on revenue and Adjusted EBITDA—Capex indicators of the Group).

The vesting occurs in three periods:

- 50% at the end of two years;
- 25% at the end of three years;
- 25% at the end of four years.

27. Share-based payments (Continued)

The main assumptions used for the valuation of the 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
Anticipated volatility (weighted average)	25%	25%	25%	26%	27%
Expiry date (maturity)	2021/11	2022/01	2022/11	2023/04	2023/09
Anticipated dividends	4%	4%	4%	4%	4%
Risk-free interest rate (based on government bonds)	0.75%	1%	0.25%	0%	0%

* *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, 2016	4,048	255	2,684	409	106
Granted	—	—	—	—	—
Cancelled, lapsed	—	—	(1,977)	—	—
Exercised	(2,152)	(49)	(202)	—	—
Options outstanding as of December 31, 2016	**1,896**	**206**	**504**	**409**	**106**
Exercisable as of December 31, 2016	1,557	141	252	—	—

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, 2016	7,502	18.4
Granted	—	—
Cancelled, lapsed	(1,977)	24.8
Exercised	(2,402)	12.5
Options outstanding as of December 31, 2016	**3,122**	**18.9**

28. 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.

28.1 Assumptions used for defined-benefit plans

	December 31, 2016	December 31, 2015
Discount rate	1.50%	2.00%
Expected salary increase rate	2.00%	2.00%
Inflation rate	2.00%	2.00%

Demographic assumptions are specific to each company.

28. Post-employment benefits (Continued)

28.2 Change in commitments

	December 31, 2016	December 31, 2015
	(in € millions)	
Benefit obligation—opening balance	**125**	**121**
Service cost	11	10
Interest cost	3	2
Actuarial loss (gain)	14	(8)
Benefit paid	(1)	(0)
Business combinations	14	—
Restructuring	(1)	—
Reclassification to liabilities directly associated to assets held for sale	(3)	—
Benefit obligation—closing balance	**161**	**125**

The Group had no plan assets as of December 31, 2016 or as of December 31, 2015.

28.3 Breakdown of recognized expense in the Consolidated statement of income

	December 31, 2016	December 31, 2015
	(in € millions)	
Service cost	11	10
Interest cost	3	2
Restructuring	(1)	—
Benefit paid	(1)	(0)
Net period expense of post-employment benefits	**11**	**12**

28.4 Actuarial gains and losses recognized in comprehensive income

	December 31, 2016	December 31, 2015
	(in € millions)	
Actuarial losses (gains) from experience	(1)	(4)
Actuarial losses (gains) from changes of assumptions	14	(4)
Actuarial losses (gains) recognized in comprehensive income	**14**	**(8)**
Actuarial losses (gains) cumulated in comprehensive income (oci)	*10*	*(3)*

28.5 Sensitivities

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

	(in € millions)
Benefit obligation at 1.25%	168
Benefit obligation at 1.50%	**161**
Benefit obligation at 1.75%	154

28. Post-employment benefits (Continued)

28.6 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:

	Total	Under one year	Two to five years	Six to ten years
		(in millions of euros)		
Estimated benefits payable	**47**	1	6	40

29. Other non-current liabilities

This item breaks down as follows:

	December 31, 2016	December 31, 2015
	(in € millions)	
Deferred income[a]	391	306
GSM and LTE licenses[b]	174	440
Other	51	35
Other non-current liabilities	**617**	**780**

(a) *Prepaid income of more than one year, mainly consisting of unrecognized revenues from network leasing. The current portion of deferred revenue (i.e., revenue to be recognized in the twelve months following the close of the fiscal year) is presented in "Other Current Liabilities" as indicated in Note 30—Trade payables and other current liabilities.*

(b) *Debt maturing at the latest in 2021.*

30. Trade payables and other current liabilities

30.1 Trade payables and other liabilities

	December 31, 2016	December 31, 2015
	(in € millions)	
Trade payables and other liabilities	2,746	2,811
Payables from purchase of intangible and tangible assets	881	793
Advances and deposits from customers, credit customers	471	461
Tax liabilities[a]	601	431
Social security liabilities	439	383
Trade payables and other liabilities	**5,139**	**4,878**

(a) *This amount includes the €80 million fine sentenced by the French Competition Authority (see Note 4.9.2—Sanction by the French Competition Authority for violation of the suspensive nature of the control of concentrations).*

30.2 Other current liabilities

	December 31, 2016	December 31, 2015
	(in € millions)	
Prepaid income[a]	485	508
Numergy capital not paid up	—	79
Other	55	11
Other current liabilities	**540**	**597**

(a) *See Note 29—Other non-current liabilities.*

31. Financial instruments

31.1 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:

	December 31, 2016							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortized cost	Derivatives qualifying as hedges	Total net carrying amount	Fair value
				(in € millions)				
Assets								
Trade and other receivables*	20				2,994		2,994	2,994
Derivative instruments classified as assets	18	399				1,488	1,886	1,886
Non-current financial assets	18		13	107	125		244	244
Other non-current assets	18				21		21	21
Current financial assets	21			4			4	4
Cash and cash equivalents	22	452					452	452
Liabilities								
Non-current borrowings and financial liabilities	24				16,934		16,934	17,322
Derivative instruments classified as liabilities	24	237					237	237
Other non-current financial liabilities	24				325		325	325
Other non-current liabilities*	29				225		225	225
Current borrowings and financial liabilities	24				485		485	485
Other financial liabilities	24				1,155		1,155	1,155
Trade payables and other liabilities	30				5,139		5,139	5,139
Other current liabilities*	30				55		55	55

* *Excluding prepaid expenses and income.*

31. Financial instruments (Continued)

	December 31, 2015							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortized cost	Derivatives qualifying as hedges	Total net carrying amount	Fair value
	(in € millions)							
Assets								
Trade and other receivables*	20				2,615		2,615	2,615
Derivative instruments classified as assets	18	491				1,424	1,915	1,915
Non-current financial assets	18		9	64	125		198	198
Other non-current assets	18				57		57	57
Current financial assets	21			2			2	2
Cash and cash equivalents	22	355					355	355
Liabilities								
Non-current long term borrowings and financial liabilities	24				16,355		16,355	16,062
Derivative instruments classified as liabilities	24	87					87	87
Other non-current financial liabilities	24				215		215	215
Other non-current liabilities*	29				475		475	475
Short-term borrowings and financial liabilities	24				254		254	254
Other financial liabilities	24				588		588	588
Trade payables and other liabilities	30				4,878		4,878	4,878
Other current liabilities*	30				90		90	90

* *Excluding prepaid expenses and 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.

31. Financial instruments (Continued)

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

	2016			
	Fair value	Level 1	Level 2	Level 3
		(in € millions)		
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	

	2015			
	Fair value	Level 1	Level 2	Level 3
		(in € millions)		
Financial assets measured at fair value				
Derivative instruments	1,915		1,915	
Other non-current financial assets	9			9
Other current financial assets				
Cash and cash equivalents	355	355		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities	87		87	

31.2 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.

31.3 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		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2022 Bonds	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	(1,375)	—	1,375	(994)	—	(994)
2026 Bonds	USD	(5,190)	—	5,190	(4,194)	—	(4,194)
2024 Term Loan	USD	(1,425)	—	1,425	(1,030)	—	(1,030)
2025 Term Loan	USD	(1,790)	—	1,790	(1,594)	—	(1,594)
Total		**(13,780)**	**—**	**13,780**	**(10,705)**	**—**	**(10,705)**

31. Financial instruments (Continued)

The following table shows the impact of hedging on the residual debt as of December 31, 2016 before and after hedging:

Amounts as at December 31, 2016 expressed in millions		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2022 Bonds	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	(1,375)	—	1,375	(994)	—	(994)
2026 Bonds	USD	(5,190)	—	5,190	(4,194)	—	(4,194)
2024 Term Loan	USD	(1,418)	—	1,425	(1,030)	7	(1,030)
2025 Term Loan	USD	(1,790)	—	1,790	(1,594)	—	(1,594)
Total		**(13,773)**	**—**	**13,780**	**(10,705)**	**7**	**(10,705)**

Analysis of sensitivity to exchange rate risk

As of December 31, 2016, 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, 2016, the Group signed with various counterparties forward purchases of US dollars.

As of December 31, 2016 the Group purchased US$60.4 million at a average price of US$1.091 for €1 with maturities starting from January 4, 2017 to May 19, 2017. As of December 31, 2016 the average remaining maturity of these forward purchases is about 45 days.

The total fair value of these instruments amounts to €1.9 million in favor of the Group.

31.4 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, 2016 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.

31.5 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.

31. Financial instruments (Continued)

Cash position including cash equivalents

As of December 31, 2016, SFR Group's cash position more than covered the repayment schedules of its current financial debt:

	Amount available
	(in € millions)
Cash	314
Cash equivalents	138
Amount available for drawing from lines of credit	1,125
Cash position	**1,577**

Rating of SFR Group

The Group's current rating is as follows:

Rating agency	Rating
Standard & Poor's	B+ (negative outlook)
Moody's	B1 (stable outlook)

31.6 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

SFR Group 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.

32. 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 SFR Group.

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.

32.1 Senior executive compensation

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

32. Related party transactions (Continued)

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.

	December 31, 2016	December 31, 2015
	(in € millions)	
Short-term benefits[a]	11	5
Post-employment benefits[b]	—	—
Share-based compensation[c]	3	8
Executive compensation	**13**	**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).

32.2 Associates and joint ventures

Associates and joint ventures, measured through equity, are presented in Note *17 — Investments in associates*.

The main transactions with equity associates relate to:

- La Poste Telecom as part of its telecommunication activities,
- Numergy as part of "cloud computing" services in 2015,
- Synerail as part of the GSM-R public-private partnership.

	Associates		Joint ventures	
	2016	2015	2016	2015
	(in € millions)			
Assets	**64**	**64**	**19**	**20**
Non-current assets	—	—	17	14
Current assets	64	64	2	6
Liabilities	**10**	**86**	**—**	**—**
Current liabilities	10	86	—	—
Non-current liabilities	—	—	—	—
Net financial income (expense)	**85**	**69**	**2**	**4**
Operating income	108	99	—	3
Operating expenses	(24)	(31)	—	—
Financial result	1	1	2	1
Off balance-sheet commitments	**28**	**48**	**70**	**91**
Operating	—	—	—	—
Financial	28	48	48	71
Pledges	—	—	22	21

32.3 Shareholders

Transactions with shareholders and their related parties

In 2016, the main transactions with shareholders and their related parties were as follows:

	December 31, 2016	December 31, 2015
	(in € millions)	
Total income	45	21
Total expenses	(199)	(47)

32. Related party transactions (Continued)

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

- Altice Luxembourg S.A.: purchase of services;
- Coditel Brabant, Outremer Telecom, Cabovisão, Hot, Portugal Telecom: telecommunication services;
- Auberimmo: reinvoicing of rents;
- MCS, Altice Entertainment News and Sport: televisual royalties and contents;
- Altice Management International (ex. Altice Management Europe): customer services;
- Quadrans: real estate rental;
- ERT, Icart and Rhon'Telecom (related parties as of December 1, 2016): construction and deployment of networks.

The amount of investments made in 2016 amounts to €18 million.

The net amount of operating commitments and contractual obligations amounts to €1,046 million (which includes customer services, SFR sport channels broadcasting and a fixed twelve-year lease contract signed in December 2016 with SCI Quadrans for new buildings).

In addition to the lease contract included in the commitments and contractual obligations, intent letters have been signed for additionnal buildings under construction.

33. Commitments and contractual obligations

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

33.1 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.

As part of these various loans, established under the same financial documentation, a certain number of Group subsidiaries (SFR Group, SFR, Ypso France, Ypso Holding, Altice B2B France, NC Numericable, Numericable US LLC and 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 SFR Group), 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 (4.0 for total debt and 3.25 for bonds);
- Draw the RCF line subject to a consolidated net debt leverage ratio (4.5 for 2017 and 4.0 beyond);
- Make investments or other payments that are subject to restrictions (including dividends);

33. Commitments and contractual obligations (Continued)

- 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.

33.2 Commitments assumed by SFR Group 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 SFR Group, subject to compliance with several commitments (Decision No. 14.DCC-160 of October 30, 2014 by the Competition Authority). In compliance with this decision, SFR Group implemented the respective commitments.

On January 22, 2015, the Competition Authority independently began an inquiry to examine the terms under which SFR Group is carrying out its commitment to sell mobile services from Outremer Telecom (Only) to Réunion and Mayotte.

On April 19, 2016, after investigation, the Competition Authority imposed a €15 million fine on Altice/ SFR Group for failing to execute certain commitments related to the sale of the Outremer Telecom mobile telephone business. It is noted that this risk is borne by the Altice Group. Furthermore, and following a complaint from Bouygues Telecom, the Competition Authority officially opened an inquiry on October 5, 2015 to examine the terms under which SFR Group performs its commitments relating to the joint investment agreement entered into with Bouygues Telecom to roll out fiber optics in very densely populated areas.

The French Competition Authority's decision is planned for the first quarter of 2017.

33.3 Commitments relating to assets (excluding network sharing)

The amount of the contractual commitments to acquire intangible assets and property, plant and equipment amount to €743 million as of December 31, 2016. The amount includes commitments related to the use of telecommunications systems.

The commitment schedule is as follows:

	Minimum future payments 2016	Maturity			2015
		Less than one year	Two to five years	More than five years	
			(in € millions)		
Commitments relating to Delegated Public Services	120	12	19	89	180
Commitments relating to Less Dense Areas ZMD[(a)]	40	1	34	6	80
Other investment	583	540	43	—	414
Total net investment commitments	**743**	**553**	**95**	**95**	**674**

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

33.4 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.

33. Commitments and contractual obligations (Continued)

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 4,634 sites were rolled out by the end of December 2016. SFR estimates that as of late December, this agreement corresponds to approximately €1,672 million in commitments given, and approximately €2,029 million in commitments received, for a net commitment of approximately €357 million, covering the entire long-term agreement.

33.5 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 1800 MHz	2G/3G (2 × 10 MHz) 2G/4G (2 × 23,8 MHz)	ARCEP Dec. n° 06-0140	March 25, 2006	March 25, 2021
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

33. Commitments and contractual obligations (Continued)

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).

33.6 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 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.

(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.

In a letter dated January 31, 2017, SFR informed ARCEP that it had fully complied with its obligation to cover 40% of the ZDP population in the 800 MHz band as of January 17, 2017.

33. Commitments and contractual obligations (Continued)

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 obligation on daily trains.

33.7 Commitments relating to operating leases

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

	Minimum future payments 2016	Maturity			2015
		Less than one year	Two to five years	More than five years	
		(in € millions)			
Land	—	—	—	—	—
Buildings	2,001	322	969	710	1,855
o/w administrative premises	*728*	*83*	*305*	*341*	*464*
o/w technical premises	*1,271*	*239*	*664*	*369*	*1,390*
o/w other	*1*	*0*	*1*	—	*2*
Other	138	41	68	30	137
Leases	**2,139**	**363**	**1,037**	**740**	**1,991**
Land	—	—	—	—	—
Buildings	(334)	(58)	(149)	(127)	(316)
o/w administrative premises	*(24)*	*(3)*	*(12)*	*(9)*	—
o/w technical premises	*(310)*	*(55)*	*(136)*	*(118)*	*(316)*
o/w other	—	—	—	—	—
Subleases	**(334)**	**(58)**	**(149)**	**(127)**	**(316)**
Total net	**1,805**	**304**	**888**	**612**	**1,676**

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 (see Note 32—*Related party transactions*).

33.8 Commitment relating to long-term contracts

Commitments relating to long-term contracts involve mainly broadcasting contracts related to the new activity of SFR and customer services.

	Minimum future payments 2016	Maturity			2015
		Less than one year	Two to five years	More than five years	
		(in € millions)			
Commitments given	1,201	440	750	12	149
Commitments received	(102)	(17)	(47)	(39)	(114)
Total net commitments	**1,099**	**423**	**704**	**(27)**	**35**

The change in the commitment relating to long-term contracts is explained by new commitments signed with related parties of the Group (see Note 32—Related party transactions).

33. Commitments and contractual obligations (Continued)

33.9. Other commitments

	2016	Maturity			2015
		Less than one year	Two to five years	More than five years	
			(in € millions)		
Bank security guarantee GSM-R[(a)]	36	9	—	27	60
Bank guarantees GSM-R[(a)]	28	16	10	2	47
Other bank security deposits and guarantees[(b)]	35	2	2	31	45
Commitments to purchase securities[(c)]	16	—	5	10	16
Pledges[(d)]	23	—	1	22	21
Commitments given	**138**	**27**	**18**	**93**	**190**
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 SFR Group 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 debt requirements.

34. 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.

34.1 Tax disputes

34.1.1 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.

34. Litigation (Continued)

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.

On February 1, 2016, the Company received notice of a tax audit from the French tax authorities for fiscal years 2013 and 2014 and on August 8, 2016 for the first half of 2016.

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.

The proposed assessments have been provisioned in the financial statements as of December 31, 2016 in the amount of €68 million.

34.1.2 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. It should be noted that, under the agreement signed on February 27, 2015 by Vivendi, Altice France and Numericable-SFR, Vivendi agreed to repay to SFR, if applicable, any taxes and levies charged to SFR for fiscal year 2011, which SFR had already paid to Vivendi at the time, subject to a maximum €711 million, if the 2011 merger of SFR and VTI is ruled invalid for tax purposes.

SFR believes it has strong legal grounds to defend the merger.

At the same time, an accounting audit of the years 2012 and 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, recognized a provision of €47 million as of December 31, 2016.

Finally, the DVNI notified the Company of a tax audit during the first half of 2016.

34.2 Civil and commercial disputes

34.2.1 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

34. Litigation (Continued)

opinion. The Commission rendered its opinion on December 1, 2014, which went against SFR. The hearing on the merits of the case was held on December 10, 2015. 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 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 (€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.

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).

Complaint by Numericable to the French Competition Authority

On May 20, 2015, 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.

Claim by Mundio Mobile against SFR

Mundio Mobile, an MVNO on the SFR network, brought a claim in the form of a filing against SFR on November 5, 2014 in the Paris Commercial Court. Mundio Mobile is claiming €63.6 million in damages from SFR. Mundio Mobile accuses SFR of unfair practices under the MVNO contract (by launching the offer of its former subsidiary Buzz Mobile). Mundio is also challenging certain aspects of the contract including its pricing terms. The parties settled their dispute out of the court during the fiscal year.

Complaint against Orange filed with the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités filed a complaint with the French Competition Authority against Orange for unfair practices. SFR withdrew its action on October 1, 2015.

As part of this complaint, on June 18, 2013 SFR sued Orange in the Paris Commercial Court (NRA ZO) for damages. SFR is seeking €50 million in damages subject to adjustment from Orange.

SFR's lawsuit and complaint against Orange in the Paris Commercial Court (call termination—call origination)

On February 22, 2010, SFR sued Orange demanding that it cancel the price for Orange call origination for the period 2006-2007 and replace it with a 2% lower rate for 2006 and a 15% lower rate for 2007. On June 25, 2013, SFR had all its requests dismissed. On July 25, 2013, SFR appealed the Commercial Court ruling. On December 4, 2015, the Court of Appeal dismissed SFR's claim. SFR filed an appeal before the Court of Cassation, the French Supreme Court, on March 14, 2016.

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.

34. Litigation (Continued)

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. To date, the merits of the case have not yet been heard and 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.

34. Litigation (Continued)

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. A judge must rule on this procedural issue, after which the hearing on the merits can begin.

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 October 5, 2016, Orange sent SFR a formal notice to pay Orange €11.8 million pursuant to contractual penalty clauses concerning spillovers alleged between July 2011 and July 2014.

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 Télécom, the Competition Authority officially opened an inquiry on October 5, 2015 to examine the conditions under which SFR Group performs its commitments relating to the joint investment agreement entered into with Bouygues Télécom 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.

The decision of the Competition Authority is expected to be handed down in the first quarter of 2017.

SFR v. 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.

34. Litigation (Continued)

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 refiled the case before the Paris Court of Appeal on August 30, 2016.

Orange v. 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.

The matter was heard in a new procedural hearing on September 27, 2016. With regard to these issues, Bouygues Telecom is claiming €138.4 million in reparation for the loss suffered. The case has been postponed until March 15, 2017 to appoint the reporting judge.

In addition, in a counter-claim, NC Numericable and Completel are seeking €10.8 million in addition to the contractual interest as well as €8 million in royalties due for fiscal year 2015 and €8.2 million in royalties due for fiscal year 2016.

34.2.2 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.

34. Litigation (Continued)

Free v. 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.

SFR v. Iliad, Free and Free mobile: unfair competition by disparagement

In June 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. The Court's decision is expected for the first quarter of 2017.

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. SFR, after receiving four adverse judgments by the Court of Cassation regarding the status of branch manager, was recently successful in various Courts of Appeals. Regarding the requalification of employment contracts and sales contracts in these disputes, despite rare exceptions, SFR received favorable judgments.

Free v. 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.

34. Litigation (Continued)

Familles Rurales v. 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.

34.2.3 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 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 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

34. Litigation (Continued)

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." The Hauts-de-Seine General Council demanded the payment of penalties totaling approximately €45 million for delays, advanced by the sole delegator and disputed by Sequalum, in the deployment of fiber optics and connections to buildings.

The demand for payment was contested in a motion filed with the Administrative Court of Cergy Pontoise on September 3, 2014. Its enforcement and the payment of the sums requested have been suspended pending a ruling on the merits.

On May 7, 2015, the General Council sent a second demand for an order for payment in the amount of €51.6 million, orders disputed by Sequalum on July 11, 2015.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 intends to appeal the decisions.

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.

34. Litigation (Continued)

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). SFR Group states that it also has its own fiber optics in the department of Hauts-de-Seine to service its customers.

35. List of consolidated entities

Entity	Country Registered office	Group interest 2016	Group interest 2015	Method[1] 2016	Method[1] 2015
SFR Group	**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	France	100%	100%	FC	FC
Eure et Loir THD SAS	France	100%	100%	FC	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	Netherlands	100%	100%	FC	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[3]	France	100%	47%	FC	EM
Numericable US LLC	United Stated	100%	100%	FC	FC
Numericable US SAS	France	100%	100%	FC	FC
Oise Numérique SAS	France	100%	100%	FC	FC
Omea Holding SAS	France	100%	100%	FC	FC
Omea Telecom SAS	France	100%	100%	FC	FC
Omer Telecom LTD	United Kingdom	100%	100%	FC	FC
Opalys Telecom SAS	France	100%	100%	FC	FC
Pays Voironnais Network Part. SAS	France	100%	100%	FC	FC

35. List of consolidated entities (Continued)

Entity	Country Registered office	Group interest		Method[1]	
		2016	2015	2016	2015
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	France	100%	100%	FC	FC
SHD SA	France	100%	100%	FC	FC
SID SCS	France	100%	100%	FC	FC
SIG 50 SA	France	100%	100%	FC	FC
SRR SCS	France	100%	100%	FC	FC
SFR Business Solutions SAS (ex. Telindus France)	France	100%	100%	FC	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	Luxembourg	100%	100%	FC	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	France	50%	50%	EM	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	France	25%	25%	EM	EM
Sud Partner SARL	France	24%	24%	EM	EM

35. List of consolidated entities (Continued)

Entity	Country Registered office	Group interest 2016	Group interest 2015	Method[1] 2016	Method[1] 2015
Sofialys SAS	France	24%	24%	EM	EM
Alpha Distri SAS	France	100%		FC	
Altice Media Events SAS	France	100%		FC	
Altice Media Publicité SAS	France	100%		FC	
SFR Presse Distribution SAS (ex. AMG Distribution)	France	100%		FC	
Animotion EURL	France	100%		FC	
A nous Paris SAS	France	100%		FC	
Audience Square SAS	France	18%		EM	
Automotive Media EURL	France	100%		FC	
Decovery SAS	France	100%		FC	
Forum de l'investissement SA	France	100%		FC	
Groupe L'Express SA (ex. groupe Altice Media)	France	100%		FC	
Holco B SAS	France	100%		FC	
i24 News SARL	Luxembourg	100%		FC	
It For Business SARL	France	100%		FC	
Job Rencontres SA	France	100%		FC	
L'étudiant SAS	France	100%		FC	
L'express Ventures SAS	France	69%		FC	
Libération SARL	France	96%		FC	
Libération Medias SARL	France	96%		FC	
Media Consumer Group SA	France	100%		FC	
Microscoop SARL	France	100%		FC	
Middle East News Ltd	Israel	100%		FC	
Newsco Digital EURL	France	100%		FC	
Newsco Events SARL	France	100%		FC	
Newsco Group SAS	France	100%		FC	
Newsco Mag SAS	France	100%		FC	
Newsco Regie EURL	France	100%		FC	
Newsco Services EURL	France	100%		FC	
Pampa Presse EURL	France	100%		FC	
Partenaire Développement SARL	France	25%		EM	
Presse Media Participations SAS	France	96%		FC	
PMP Holding SAS	France	100%		FC	
Pole Electro EURL	France	100%		FC	
Prelude & Fugue SAS	France	100%		FC	
Publi-News SARL	France	100%		FC	
S2C SARL	France	100%		FC	
SFR Presse SAS (ex. Altice Media Group France)	France	100%		FC	
Société Nouvelle de Télécommunication et Communication SARL	France	95%		FC	
Technologues culturels SAS	France	100%		FC	
Telecom Presse SARL	France	100%		FC	
Topix Media SARL	France	100%		FC	
Voix du Nord l'étudiant SA	France	50%		EM	
Altice Content Luxembourg SA	Luxembourg	76%		FC	
Altice Content France SAS	France	76%		FC	
NextRadioTV SA	France	37%		FC	
NextInteractive SAS	France	37%		FC	

35. List of consolidated entities (Continued)

Entity	Country Registered office	Group interest 2016	Group interest 2015	Method[1] 2016	Method[1] 2015
NextRégie SAS	France	37%		FC	
Groupe Tests Holding SAS	France	37%		FC	
RMC SA Monégasque	France	37%		FC	
RMC Sport SAS	France	37%		FC	
RMC Découverte SAS	France	37%		FC	
RMC BFM Production SAS	France	37%		FC	
BFM TV SAS	France	37%		FC	
Business FM SAS	France	37%		FC	
CBFM SAS	France	37%		FC	
BFM Business TV SAS	France	37%		FC	
NEXTDEV SAS	France	37%		FC	
RMC BFM Edition SAS	France	37%		FC	
NextRadioTV Production SAS	France	37%		FC	
BFM Sport SAS	France	37%		FC	
WMC SAS	France	37%		FC	
La Banque Audiovisuelle SAS	France	37%		FC	
NEXTPROD SAS	France	37%		FC	
Newco B SAS	France	37%		FC	
Groupe News Participations SAS	France	37%		FC	
Newco E SAS	France	37%		FC	
SPORTSCOTV SAS	France	37%		FC	
BFM Paris SAS	France	37%		FC	
Newco C SAS	France	37%		FC	
Diversité TV France SAS	France	15%		EM	
PHO Holding SAS	France	15%		EM	
Idenum SAS[4]	France		21%		EM
LTI Telecom SAS[2]	France		100%		FC

[1] FC = Full Consolidation; EM = Equity Method; JV = Interest in Joint Venture
[2] Companies absorbed in 2016
[3] Change in consolidation method as of January 1, 2016
[4] Companies liquidated in 2016

36. Entity consolidating the financial statements

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

37. Subsequent events

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

On January 30, 2017, NextRadioTV and SFR Group have 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. At the end of that phase, it is SFR's intention to increase its stake to 100% in the capital of the holding GNP. The plans have also already been submitted for approval to French Competition Authority.

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.

37. Subsequent events (Continued)

The next phase will encourage the launch of new projects and strengthen the capacity of existing channels.

Decision of the French Competition Authority against Altice and SFR Group 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 officially opened an inquiry into the conditions under which Altice and SFR Group 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 SFR Group, and imposed periodic penalty payments for each day of delay, for not having respected the commitments set out in the "Faber Agreement".

SFR contests this totally incriminating decision, the arguments on which it is based, and the amount of the financial sanction. The Group will appeal the decision.

Refinancing of term loans issued in April 2016

On March 23, 2017, the Group announced to have successfully raised new term loans that will be allocated to the refinancing of a portion of the existing debt of the credit pool of SFR for €2.492 billion. These new term loans of US$1.425 million priced at LIBOR plus a margin of 2.75%, of €850 million and €300 million priced at EURIBOR plus a margin of 3.00% are expected to be drawn over the month of April. Maturities of these new tranches are July 31, 2025. The refinanced debts bore interest at LIBOR (with a floor at 0.75%) plus a margin of 4.25% for debt in american dollars, at EURIBOR (with a floor at 0.75%) plus a margin at 3.00% or at 3.75% according to the refinanced tranches. Maturities of refinanced debts were January 2024 for term loans in dollar, April and July 2023 for term loans in euros. The SFR's debt average maturity was extended from 7.3 to 7.6 years and the weighted average has reduced from 5.2% to 4.9%.

37. Subsequent events (Continued)

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 intends to appeal the decisions.

38. Auditors' fees

The fees of the SFR Group auditors and the members of their networks recognized as expenses in the Group consolidated financial statements at December 31, 2016 are presented in the table below:

	KPMG		Deloitte		Total
	Amount	%	Amount	%	Amount
			(in € millions)		
Fees related to certification of individual and consolidated statements	**1.4**	**82%**	**1.9**	**88%**	**3.3**
- Statutory audit	*1.4*	*82%*	*1.8*	*86%*	*3.3*
- Network	*0.0*	*0%*	*0.0*	*2%*	*0.0*
Services other than statutory audit	**0.3**	**18%**	**0.3**	**12%**	**0.6**
- Legal and regulatory diligences	*0.1*	*4%*	*0.0*	*0%*	*0.1*
- Comfort letters	*0.3*	*14%*	*0.3*	*12%*	*0.5*
- Other	*0.0*	*0%*	*0.0*	*0%*	*0.0*
	1.8	**100%**	**2.1**	**100%**	**3.9**

Numericable-SFR

Consolidated Financial Statements

Fiscal year ended December 31, 2015

Numericable-SFR S.A.

Statutory Auditors' Report on the consolidated financial statements

Fiscal year ended December 31, 2015

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

In the performance of the engagement entrusted to us pursuant to your Articles of Association and by your Shareholders' Meeting, we present below our report for the fiscal year ended December 31, 2015, on:

- the audit of the consolidated financial statements of Numericable-SFR S.A., as appended to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In application of the provisions of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

- Notes 5.1 "Acquisition of SFR", 5.2 "Acquisition of Virgin Mobile" and 6 "Changes in the scope of consolidation" disclose the terms and conditions relating to the takeover of SFR and Virgin Mobile and their impact on the consolidated financial statements, and in particular, the allocation of purchase price carried out during the year. In this context, the Company used an independent valuation firm in order to assess the fair value of the intangible assets in particular related to the brand and the customer relationships. Our work included examining the report of the independent evaluator, familiarizing ourselves with the data and valuation methods used, and assessing the appropriateness of the assumptions used. Our procedures also included verifying the proper accounting treatment of those acquisitions in accordance with Note 2.10 “Goodwill and business combinations,” the restatement of the comparative information and the appropriateness of the information disclosed in Notes 4.1, 5.1, 5.2, 6, and 38.

- Note 3 “Main accounting principles and use of estimates” in the Notes to the consolidated financial statements explains the main accounting principles and estimates used in preparing the consolidated financial statements. This Note also discloses that future circumstances and outcomes may result in changes to the estimates and assumptions made which may impact the Group’s financial position, profits, and future cash flow. The most significant estimates relate to provisions, goodwill, derivatives, and deferred tax assets:
  - The Company makes provisions to cover litigation risks as described in Note 2.20 “Provisions” in the Notes to the financial statements. Our procedures consisted of assessing, based on the information made available to us, the data and assumptions on which the estimates were based, and reviewing the Company’s calculations, on a test basis. In our opinion, all uncertainties and disputes have been appropriately disclosed in Note 34 “Disputes” of the Notes to the consolidated financial statements.
  - The Company systematically carries out goodwill impairment tests at the end of each accounting period, in accordance with the procedure described in Note 2.14 “Impairment of assets” of the Notes to the consolidated financial statements. We have reviewed the method for testing asset impairment, cash flow, and the assumptions used, and we have verified that Note 14 “Impairment tests” in the Notes to the consolidated financial statements appropriately reflects them.
  - Note 2.19 “Derivative instruments” in the Notes to the consolidated financial statements explains the accounting principles for derivative instruments used by the Group. We have verified that the accounting principles have been properly applied, and hedging instruments in particular, checked the consistency of the assumptions used to calculate the fair value of derivative instruments, and checked that Note 25 “Derivative Instruments” and Note 31 “Financial instruments,” provide appropriate disclosure.
  - In its Statement of consolidated financial position, the Group shows deferred tax assets related to tax losses for an amount of €290 million as of December 31, 2015, as disclosed in Note 13.3 “Changes in deferred taxes by type” in the Notes to the consolidated financial statements. We have reviewed the data and assumptions on which the projections of tax loss carry-forwards were based, have reviewed the Company’s calculations, and have verified that Notes 2.7 and 13 provide appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group’s management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, on March 29, 2016	Neuilly-sur-Seine, on March 29, 2016
French original signed by	French original signed by
KPMG Audit *Department of KPMG S.A.*	Deloitte & Associés
Grégoire Menou *Partner*	Christophe Saubiez *Partner*

Numericable-SFR—2015 Consolidated Financial Statements

Consolidated Statement of Income

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Revenues	8	**11,039**	**2,170**
Purchasing and subcontracting		(3,890)	(630)
Other operating expenses	10	(2,467)	(670)
Staff costs and employee benefit expenses	9	(877)	(170)
Depreciation, amortization and impairment		(2,554)	(496)
Other non-recurring income and expenses	11	(314)	(112)
Operating income		**937**	**91**
Financial income	12	782	15
Cost of gross financial debt	12	(781)	(504)
Other financial expenses	12	(47)	(111)
Net financial income (expense)		**(46)**	**(600)**
Share in net income (loss) of associates	17	6	4
Income before taxes		**898**	**(505)**
Income tax income (expense)	13	(215)	317
Net income (loss) from continuing operations		**682**	**(188)**
Net income (loss) from discontinued operations		**—**	**—**
NET INCOME (LOSS)		**682**	**(188)**
• **Attributable to owners of the company**		**675**	**(188)**
• **Attributable to non-controlling interests**		**7**	**0**
Earnings per share attributable to owners of the company (in euros)			
• basic		1.47	(1.04)
• diluted		1.47	(1.04)

[1] *See Note 38—Restated information.*

Consolidated Statement of Comprehensive Income

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Net income		**682**	**(188)**
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		(1)	—
Cash flow hedges		40	(169)
Related taxes	13.3	(20)	64
Other items related to associates		2	—
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gain (loss)	28	8	(3)
Related taxes	13.3	(3)	—
ITEMS OF OTHER COMPREHENSIVE INCOME		**708**	**(295)**
Of which:			
Comprehensive income attributable to owners of the company		*701*	*(295)*
Comprehensive income attributable to non-controlling interests		*7*	—

[1] *See Note 38—Restated information.*

Numericable-SFR—2015 Consolidated Financial Statements

Consolidated Statement of Financial Position

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Assets			
Goodwill	14	10,554	10,554
Intangible assets	15	7,983	8,395
Property, plant and equipment	16	5,627	5,643
Investments in associates	17	110	126
Non-current financial assets	18	2,112	1,003
Deferred tax assets	13	2	501
Other non-current assets	18	57	50
Non-current assets		**26,445**	**26,270**
Inventories	19	286	256
Trade and other receivables	20	2,723	2,732
Income tax receivable	13	271	252
Current financial assets	21	2	135
Cash and cash equivalents	22	355	620
Current assets		**3,637**	**3,995**
TOTAL ASSETS		**30,081**	**30,265**

	Note	December 31, 2015	December 31, restated[1]
		(in € millions)	
Liabilities			
Share capital	23	440	487
Additional paid- in capital	23	5,360	9,748
Reserves	23	(1,545)	(2,283)
Equity attributable to owners of the company		**4,256**	**7,952**
Non-controlling interests	23	12	10
Total invested equity		**4,267**	**7,962**
Non-current long term borrowings and financial liabilities	24	16,443	12,539
Other non-current financial liabilities	24	215	810
Non-current provisions	26	727	635
Deferred tax liabilities	13	816	1,294
Other non-current liabilities	29	780	582
Non-current liabilities		**18,981**	**15,860**
Short-term borrowings and financial liabilities	24	**254**	**179**
Other financial liabilities	24	**588**	**99**
Trade payables and other liabilities	30	**4,878**	**5,011**
Income tax liabilities	13	**187**	**217**
Current provisions	26	**328**	**330**
Other current liabilities	30	**597**	**606**
Current liabilities		**6,833**	**6,443**
TOTAL EQUITY & LIABILITIES		**30,081**	**30,265**

[1] *See Note 38—Restated information.*

Consolidated Statement of Changes in Equity

	Equity attributable to owners of the company						
	Capital	Additional paid in capital	Reserves	Other comprehensive income	Total	Non-controlling interests	Consolidated equity
				(in € millions)			
Position at December 31, 2013	**124**	**2,108**	**(1,977)**	**(2)**	**253**	**0**	**254**
Dividends paid	—	—	—	—	—	—	—
Comprehensive income restated	—	—	(188)	(108)	(295)	(0)	(295)
Issuance of new shares	266	4,455	—	—	4,720	—	4,720
Contributions of SFR shares	97	3,185	—	—	3,282	—	3,282
Share-based compensation	—	—	5	—	5	—	5
Treasury shares	—	—	(1)	—	(1)	—	(1)
Other movements	—	—	(12)	—	(12)	9	(3)
Position at December 30, 2014 restated	**487**	**9,748**	**(2,173)**	**(109)**	**7,952**	**10**	**7,962**
Dividends paid	—	(2,509)	—	—	(2,509)	(7)	(2,516)
Comprehensive income	—	—	675	26	701	7	708
Issuance of new shares	2	24	—	—	26	—	26
Share-based compensation	—	—	9	—	9	—	9
Treasury shares	—	—	(1,948)	—	(1,948)	—	(1,948)
Capital decrease by cancellation of own shares	(49)	(1,899)	1,948	—	—	—	—
Other movements	—	(4)	28	—	24	1	26
POSITION AT DECEMBER 31, 2015	**440**	**5,360**	**(1,461)**	**(84)**	**4,256**	**12**	**4,267**

Breakdown of changes in equity related to other comprehensive income

	Attributable to owners of the company				
	Cash flow hedges	Actuarial gain (loss)	Other items	Deferred taxes	Items of other comprehensive income
			(in € millions)		
Balance at December 31, 2013	**—**	**(2)**	**—**	**—**	**(2)**
Change	(169)	(3)	(0)	64	(108)
Balance at December 31, 2014 restated	**(169)**	**(5)**	**(0)**	**64**	**(109)**
Change	42	8	(1)	(23)	26
BALANCE AT DECEMBER 31, 2015	**(127)**	**3**	**(1)**	**41**	**(84)**

Consolidated Statement of Cash Flows

	Note	December 31, 2015	December 31, 2014 restated[1]
		(in € millions)	
Net income attributable to owners of the company		**675**	**(188)**
Adjustments:			
Non-controlling interests		7	0
Depreciation, amortization and provisions		2,560	500
Share in net income (loss) of associates	*17*	(6)	(4)
Net income from sale of property, plant and equipment and intangible assets	*11*	188	16
Net financial expense (income)	*12*	46	600
Income tax expense (income)	*13*	215	(317)
Other non-cash items		13	0
Income tax paid		(240)	(74)
Change in working capital		(322)	358
Net cash flow provided (used) by operating activities		**3,135**	**893**
Acquisitions of property, plant and equipment and intangible assets	*15/16*	(2,370)	(591)
Acquisition of consolidated entities, net of cash acquired		(2)	(13,206)
Price adjustment of SFR and Virgin Mobile securities	*6*	123	—
Acquisitions of other financial assets		(5)	(3)
Disposals of property, plant and equipment and intangible assets		36	8
Disposal of consolidated entities, net of cash disposals		18	—
Disposal of other financial assets		21	—
Change in working capital related to property, plant and equipment and intangible assets		446	160
Net cash flow provided (used) by investing activities		**(1,732)**	**(13,632)**
Purchases of treasury shares	*4.1*	(1,949)	—
Capital increase	*5*	26	4,721
Dividends paid	*4.3*	(2,516)	—
• *to owners of the company*		(2,509)	—
• *to non-controlling interests*		(7)	—
Dividends received		8	—
Issuance of debt[2]		3,677	11,403
Repayment of debt[3]		(838)	(2,638)
Interest paid		(605)	(263)
Other flows from financing activities[4]		438	(76)
Net cash flow provided (used) by financing activities		**(1,758)**	**13,147**
Adjustments with no impact on cash		—	74
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(355)**	**482**
Net cash and cash equivalents at beginning of period[5]		**583**	**101**
Net cash and cash equivalents at end of period		**229**	**583**
of which cash and cash equivalents		*355*	*620*
of which bank overdrafts		*(126)*	*(36)*

[1] *See Note 38—Restated information*

[2] *As of December 31, 2015, this primarily corresponds to the RCF drawdown in the first half of 2015 and to the new tranches of bank loans signed in July and November 2015. As of December 31, 2014, this corresponds mainly to debts raised as part of the acquisition of SFR in the amount of €11,653 million net of €250 million in fees on loans disbursed.*

[3] *As of December 31, 2015, this corresponds mainly to the repayment in July 2015 of €800 million RCF drawn in the first half. As of December 31, 2014, this amount mainly reflects €2,638 million in debt extinguished during refinancing transactions in May 2014.*

[4] *As of December 2015, this mainly corresponds to the cash received under securitization contracts (€171 million), reverse factoring (€240 million) and deposits from customers (€49 million). As of December 31, 2014, this corresponds to the cost of extinguishing debt repaid in May 2014 in the amount of €89 million, and to the change in other financial liabilities, excluding Senior Facilities.*

[5] *This amount was restated upwards by €37 million on January 1, 2015 to take into account (i) a change in the presentation of cash, which now includes bank overdrafts and (ii) a reclassification to cash of new receivables.*

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1 Basis of preparation of the consolidated financial statements

1.1 Numericable-SFR

Numericable-SFR (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 as a result of the merger of Numericable and SFR, Numericable-SFR Group aims to become, on the back of the largest fiber optic network and a leading mobile network, the national leader in France in the convergence of very-high-speed fixed-line/mobile.

A global player, Numericable-SFR has major positions in all segments of the French telecommunications B2C, B2B, local authorities and wholesale markets.

1.2 Basis of preparation of financial information

The consolidated financial statements were prepared and approved by the Company's Board of Directors on March 11, 2016.

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 2016.

The consolidated financial statements for the year ended December 31, 2015, 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, 2015. 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

The financial statements underwent a change in accounting method, harmonization of management rules, a change in presentation as shown below, and the application of new standards, which are presented in Note *1.3—New Standards and Interpretations.*

Change in accounting method

To improve its financial reporting and to ensure uniformity of treatment among Altice Group companies, the Group has capitalized, in accordance with IAS 38—*Intangible Assets* and future standards, its customer acquisition costs for packages with commitments beginning on or after January 1, 2015. The charge is presented in the "Depreciation, amortization and impairment " caption of the consolidated statement of income. The Group believes that by doing so, the financial information provided is more reliable and more relevant, particularly for the purposes of a market practice analysis of the Telecom industry at the international level. The change in method had no material impact on the comparative financial reporting presented for fiscal year 2014. However, the pro forma financial information presented in Note *39—Condensed consolidated pro forma financial Information* was restated to reflect the change in method. Furthermore, intangible assets with a net carrying amount of €98 million were recognized provisionally at November 30, 2014 in capitalized acquisition costs, as part of the allocation of goodwill related to the acquisition of SFR and Virgin Mobile. These impacts are disclosed in Note *6—Changes in scope.*

Harmonization of management rules

As part of the acquisition of SFR, the Group has also harmonized its rules for estimating and capitalizing internal costs related to network development and information systems, costs for

1 Basis of preparation of the consolidated financial statements (Continued)

introducing Service Access Fees, and costs for the refurbishment of set-top boxes returned by customers. Accordingly, intangible assets in the amount of €287 million were recognized at November 30, 2014, as part of the allocation of goodwill related to the acquisition of SFR. These impacts are disclosed in Note *6—Changes in scope.*

Changes in the preparation of the consolidated financial statements

To improve its financial reporting and ensure uniformity in the presentation of financial statements among Altice Group companies, Numericable-SFR Group has changed the presentation of its financial statements. The Group believes that the new presentation of the financial information is more relevant and provides better comparability for the purposes of a market practice analysis of the Telecom industry at the international level. The transition from the old to the new format for comparative financial statements as of December 31, 2014 is described in detail in Note *38—Restated Information.*

1.3 New standards and interpretations

Mandatory standards and interpretations for the year ended December 31, 2015

In its 2015 consolidated financial statements, the Group applied new standards and amendments adopted by the European Union, which became mandatory at January 1, 2015:

IFRIC Interpretation 21—*Levies Charged by Public Authorities* is applicable retrospectively from January 1, 2015. This interpretation clarifies IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*, and specifically covers the recognition of a liability for a levy imposed on corporations by public authorities in accordance with applicable laws and regulations, with the exception of income taxes, among other things.

Applying this interpretation may therefore lead to modifying the analysis of the obligating event as the activity that triggers the recognition of a liability. This interpretation had no material impact on the Group's half-year consolidated financial statements for fiscal year 2015 or on the comparative financial information.

The application from January 1, 2015 of the other mandatory standards and amendments (listed below) had no material impact on the Group's consolidated financial statements:

- Amendments to IAS 19: Employee contributions to defined benefit plans;
- Annual improvements to IFRSs published in December 2013 (2010-2012 and 2011-2013 Cycles).

Standards and interpretations mandatory after December 31, 2015 and not adopted early

The Group did not opt for the early application of any standards and interpretations mandatory after December 31, 2015. Of the IFRS and IFRIC interpretations issued by the IASB and IFRS IC but not yet in force and not yet adopted by the EU, which the Group has not opted to apply early, those likely to affect the Group are mainly:

- IFRS 15—*Revenue from Contracts with Customers*: published in May 2014, it provides a new framework for recognizing revenue. IFRS 15 will replace the current standards on revenue recognition, in particular IAS 18—*Revenue*, IAS 11—*Construction Contracts* and the associated interpretations when it becomes applicable. The standard is applicable to annual periods beginning on or after January 1, 2018. It is applicable retrospectively according to two options: either limited to calculating the cumulative effect of the new method at the opening date of exercising the change, or by restating the comparative periods presented.

  The Group anticipates that application of IFRS 15 in the future will have a significant impact on the published figures and notes to the financial statements. It is not possible at this time to provide a

1 Basis of preparation of the consolidated financial statements (Continued)

reasonable estimate of the effects of IFRS 15 insofar as the Group has not completed a detailed review.

- IFRS 9—*Financial Instruments*, applicable to annual periods beginning on or after January 1, 2018.
- IFRS 16—*Leases*, with mandatory application as from January 1, 2019, applicable retrospectively either at the date of first application or at the beginning of the comparative year presented.

Management is currently assessing the potential impact of the application of these standards, interpretations and amendments on the Statement of Income, the Statement of Financial Position, the Statement of Cash Flows and the Notes to the Financial Statements.

2 Significant accounting policies

2.1 Consolidation methods

The list of entities included in the scope of consolidation is presented in Note 35—*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

2 Significant accounting policies (Continued)

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 income statement 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 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

2 Significant accounting policies (Continued)

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.

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.

Other costs of acquisition and retention, including premiums not associated with equipment sales as part of telephone packages and fees paid to distributors, are immediately expensed.

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.

2 Significant accounting policies (Continued)

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.

2.4 Adjusted EBITDA

Adjusted EBITDA is the indicator Management uses to measure the Group's financial performance. It excludes the main items that have no effect on cash, such as depreciation, amortization and impairment.

Furthermore, 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.

Adjusted EBITDA may not be comparable with similarly named measures used by other entities. The transition from operating income to Adjusted EBITDA is presented in Note *7—Transition from 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.

2 Significant accounting policies (Continued)

2.6 Segment information

IFRS 8—*Operating Segments* requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following three segments:

- B2C Operations
- B2B Operations
- Wholesale Services

B2C Operations

The Group provides residential customers with telephone subscriptions, TV subscription services, high-speed Internet, and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering, including data transmission and very-high-speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators (including the Mobile Virtual Network Operations, "MVNOs") as well as the related maintenance services.

2.7 Corporate income tax

Income tax expense comprises current and deferred tax. 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, 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.

2.8 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 Significant accounting policies (Continued)

2.9 Site remediation

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.

2.10 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 *14—Goodwill and Impairment Tests*

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

2.11 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.

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

2 Significant accounting policies (Continued)

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).

2 Significant accounting policies (Continued)

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.

2.12 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 "Other operating income/expenses" of the consolidated income statement.

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,

2 Significant accounting policies (Continued)

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.

2.13 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.

2.14 Impairment of assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment, or assets in progress, the Group re-examines the value of these assets. 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 Numericable-SFR 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

2 Significant accounting policies (Continued)

testing, in conformity with IAS 36, goodwill is allocated as a value to each operating segment (see Note *14.1—Change in Goodwill*), and shared assets and liabilities are allocated through distribution keys to each of the operating segments B2C, B2B and wholesale (see Note *14.3—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 income statement. 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.

2.15 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

2 Significant accounting policies (Continued)

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.

2.16 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

2.17 Cash and cash equivalents

The “Cash and Cash Equivalents” heading includes bank balances, money-market UCITS which meet the specifications of AMF Position No. 2011-13, 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.

2.18 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, the potential earn-out that Vivendi may receive following the sale of SFR based on the Group’s financial performance, guarantee deposits received from customers, advances received and bank overdrafts.

2 Significant accounting policies (Continued)

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

2 Significant accounting policies (Continued)

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 report 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.

2 Significant accounting policies (Continued)

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.

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.

2.24 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the assumed proceeds from the conversion of these instruments have been used to acquire shares of the Group at the average market price for the fiscal year period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3 Use of estimates

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 rules and methods* implies decisions, 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 financial position, results of operations and 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 *26—Provisions* and Note 34—*Disputes*).
- *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 *28—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 (Note *8—Segment information)*.
- *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

3 Use of estimates (Continued)

estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted cash flows (Note *31—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 13—*Income taxes).*
- *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 *14—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 *15—Intangible assets* and Note 16—*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 the 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 ended December 31, 2015

4.1 Memorandum of Understanding (MoU) signed with Vivendi on February 28, 2015

On February 18, 2015, Numericable-SFR and its majority shareholder Altice filed a firm offer to buy the 20% interest held by Vivendi in Numericable-SFR, at €40 per share, representing a total of approximately €3.9 billion.

On February 27, 2015, Vivendi's Supervisory Board accepted Numericable-SFR's offer, signing final agreements to buy the 20% interest held by Vivendi.

The acquisition was completed on May 6, 2015, half of it paid by Numericable-SFR as part of a share repurchase plan authorized by the Shareholders' Meeting of April 28, 2015, combined with a cash payment, and the other half paid by Altice.

The share purchase made by Numericable-SFR, for a total of €1,948 million, was financed through a Revolving Credit Facility (RCF) drawdown (the available amount was raised by €750 million to €1,125 million in 2015) of €1,050 million and the balance from the Group's available cash.

At its meeting of May 28, 2015, the Board of Directors decided to cancel treasury shares (48,693,922 shares), reducing consolidated equity by €1,948 million.

Again under the MoU signed with Vivendi:

(i) In early May 2015, Vivendi paid to Numericable-SFR €116 million under the price adjustment procedure agreed between the parties for the acquisition of SFR. This price adjustment was recognized as follows:

   – in the Group's "restated" Consolidated Financial Statements at December 31, 2014: recognition of a claim on Vivendi in the "Other current financial assets" caption for €120 million (representing the price adjustment as valued at the acquisition date) through a reduction of the goodwill recognized in the SFR acquisition;

   – in the 2015 Consolidated Financial Statements: recognition of a financial expense in the amount of €4 million (presented in "Other financial expenses").

(ii) Vivendi permanently waived the earn-out payment of €750 million that Numericable-SFR would have owed to Vivendi if EBITDA—Capex had reached €2 billion in any fiscal year before December 31, 2024. The Group reported net financial income of €643.5 million (excluding tax effects) for 2015, corresponding to the discounted value of the earn-out in the Group's

4 Significant events for the fiscal year ended December 31, 2015 (Continued)

non-current financial liabilities at December 31, 2014, as well as tax income of €40.5 million in 2015. The €643.5 million was recognized a financial income insofar as there was no element indicating that the waiver of the earn-out was known at the time of the acquisition.

(iii) Vivendi undertook to repay to SFR, should the tax authorities definitively disallow the merger of SFR and Vivendi Telecom International (VTI) signed in December 2011, up to €711 million that SFR had paid to it as part of its inclusion in Vivendi's tax consolidation group.

4.2 New Term loans for a total amount equivalent to €1,680 million

On October 22, 2015, Numericable-SFR successfully raised two new term loans: (i) one for $1,340 million and (ii) another for €500 million (the "Term Loans"). The Term Loans have a fixed maturity in January 2023 and bear interest at LIBOR/EURIBOR (with a floor at 0.75%) plus a margin of 4.00%. The two loans were placed at 98.5% of their face value.

The total amount of the Term Loans denominated in US dollars was converted into a euro loan for €1,184 million with a margin of 4.15% plus the EURIBOR (without a floor) using currency and rate hedging instruments.

Following the placement of these new debts, the average maturity of the Numericable-SFR debt rose from 5.9 years to 6.1 years, and the average cost of the debt from 4.8% to 4.9%.

4.3 Mobile telephony frequencies assigned to SFR

On November 24, 2015, pursuant to Decision 2015-1454, ARCEP selected SFR for the acquisition of 2*5 MHz in the 700 MHz band.

The authorization to use the frequencies was issued by ARCEP on December 8, 2015, Decision 2015-1569. At that date, the license was capitalized for €466 million (excluding spectrum readjustment costs). The commitments related to this license are described in Note *33—Contractual commitments and obligations.*

4.4 Dividend distribution

The Numericable-SFR Shareholders' Meeting of December 15, 2015 approved an exceptional dividend distribution to shareholders of €5.70 per share, representing a total of €2.5 billion charged to the "paid-in capital" caption.

This distribution was financed by a loan in the amount of €1.6 billion and the balance from available cash and cash equivalents. The dividend was paid before December 31, 2015.

4.5 Search by the Competition Authority in the Group's premises on April 2, 2015

Accused by some of its competitors that the Group and SFR anticipated the Competition Authority's decision of October 31, 2014 authorizing the Group's takeover of SFR, the Competition Authority, overseen by the data privacy commission, gathered data from Group locations to identify factors that may indicate that it had acted prematurely on the expectation that this concentration would be authorized. The Group disputes the facts put forward by its competitors.

5 Significant events for the fiscal year ended December 31, 2014

5.1 Acquisition of SFR

On April 5, 2014, the Supervisory Board of the Vivendi Group accepted the offer from Altice, the Group's majority shareholder, to purchase its subsidiary SFR, along with that company's own subsidiaries.

On June 20, 2014, Vivendi, Altice and Numericable signed the final merger agreement between SFR and Numericable-SFR which emerged from discussions with the representative bodies of the personnel concerned.

5 Significant events for the fiscal year ended December 31, 2014 (Continued)

After obtaining the approval of the Competition Authority on October 26, 2014, the acquisition was completed on November 27, 2014.

The acquisition price for SFR represents an estimated total amount at the acquisition date of €17.1 billion, including €13.2 billion in cash (See also Note 37—*Subsequent events*).

This acquisition was financed through (i) the arrangement of €11.7 billion in new funding in May 2014 (see Note 5.3—*Financing the SFT acquisition and refinancing of existing debt*) and (ii) the completion of a capital increase of €4.7 billion on October 28, 2014 (see Note 5.4—*Capital increases*).

See also Note 6—*Changes in scope*.

5.2 Acquisition of Virgin Mobile

On May 16, 2014, the Group entered into exclusive negotiations with Omer Telecom for the acquisition of Virgin Mobile.

The Group announced on June 27, 2014 that it had signed with the shareholders of the Group's holding company operating in France as Virgin Mobile, Omer Telecom Limited, the final purchase agreement for the entire share capital of Omer Telecom Limited after consulting with the representative bodies of the personnel concerned.

The acquisition was completed on December 4, 2014 after obtaining approval from the Competition Authority. The acquisition price for Virgin represented a total of €295 million.

Vivendi invested €200 million to finance the acquisition. This amount was deducted from SFR's purchase price.

See also Note *6—Changes in scope*.

5.3 Financing the acquisition of SFR and refinancing the existing debt

To finance the SFR acquisition, in May 2014, the Group raised the equivalent of €11,653 million through bond issues (for an equivalent amount of €7,873 million) and the placement of new bank borrowings (for a total amount equivalent to €3,780 million), both in euros and in US dollars (see Note *24—Financial liabilities)*.

Of the money raised through these new borrowings, €2,750 million was used by the Group to:

- repay the full amount of Group's former Senior Debt of €2,638 million;
- pay the early redemption fee on bonds for €89 million;
- pay a portion of the costs for arranging new financing.

The repayment of the Group's former Senior Debt has been analyzed as an extinguishment of existing debt. Accordingly:

- the costs of extinguishing bond debt incurred by the Group were recognized in other financial expenses for €89 million;
- the costs relating to the extinguishment of debt, which were originally recorded at amortized cost, were recognized in other financial expenses in the amount of €22 million;

In addition, on May 21, 2014, the Group signed a new Revolving Credit Facility (RCF) for a maximum amount of €750 million, €300 million of which was available immediately and the balance of which was available after the completion of the SFR acquisition. As of December 31, 2014, this credit line was undrawn.

The costs associated with the arrangement of bond debt, bank loans and the RCF, or €250 million in total, were recognized at amortized cost using the effective interest rate method in accordance with IAS 39, and are thus spread over the maturity of the debt.

5 Significant events for the fiscal year ended December 31, 2014 (Continued)

5.4 Capital increases

Numericable-SFR carried out several capital increases during the year:

- The Board of Directors meeting of October 28, 2014 voted to increase the capital through a public offering for a total amount of €4,733 million (including €266 million in new shares issued and €4,467 million in additional paid-in capital).
- The costs incurred in connection with the capital increase were fully charged to additional paid-in capital in a total amount of €13 million.
- On November 27, 2014, as part of the completion of the SFR acquisition, Numericable-SFR carried out a capital increase of €2,376 million (€97 million in capital, €2,278 million in additional paid-in capital) in consideration for the in-kind contribution by Vivendi of SFR securities. Following these transactions, Vivendi now holds a 20% stake in Numericable-SFR.
- On December 30, 2014, Numericable-SFR carried out a €0.5 million capital increase through an employee share offering.

Following these transactions, the Company's share capital amounted to €487 million and additional paid-in capital totaled €8,842 million.

6 Changes in scope

The purpose of this note is to provide additional details on the acquisitions of SFR and Virgin Mobile in 2014; the work to allocate the acquisition price was finalized within twelve months after the acquisition date. The amounts are expressed in millions of euros.

Subgroup acquired	SFR	Virgin mobile	Total
Acquisition date	November 27, 2014	December 4, 2014	
Percentage of voting rights acquired	99,99%[(a)]	100%	
Consideration paid at the acquisition date	17,012	288	17,300
Of which cash[(b)]	*13,166*	*295*	*13,461*
Of which issues of Numericable-SFR shares[(c)]	*3,282*	—	*3,282*
Of which earn-out[(d)]	*684*	—	*684*
Of which price adjustment[(e)]	*(120)*	*(7)*	*(127)*

(a) Numericable acquired all the shares of SIG 50, and all the shares of SFR S.A., which is 225,214,842 shares, less 10 shares.

(b) The net amount of €200 million corresponds to Vivendi's investment in funding the Virgin Mobile acquisition.

(c) In consideration for the SFR shares tendered by Vivendi, Vivendi obtained a 20% stake in the new Numericable-SFR entity. In accordance with the revised IFRS 3, these shares were measured at their fair value at the date of issue, i.e., on the basis of the opening market price on November 27, 2014.

(d) Discounted fair value at December 31, 2014 of the potential €750 million earn-out to Vivendi as part of the SFR acquisition deal. It should be noted that this amount will be due to Vivendi once the aggregate "Ebitda—Capex" for the newly formed group reaches €2 billion during any of the fiscal years ending no later than December 31, 2024. Also refer to Note 4—Significant events for the fiscal year ended December 31, 2015.

(e) Pursuant to the price adjustment procedure agreed on by the parties for the acquisition of SFR, an adjustment in the SFR price was recognized in the Group's "restated" Consolidated Financial Statements at December 31, 2014 in the form of a claim against Vivendi for €120 million (corresponding to the price adjustment as measured on the acquisition date). The Virgin Mobile price adjustment was recognized in the same way for the amount of €7 million.

6 Changes in scope (Continued)

	SFR	Virgin Mobile	Total
Other intangible assets	7,807	187	7,994
Property, plant and equipment	4,173	9	4,182
Investments in associates	124	—	124
Other non-current financial assets	132	—	132
Deferred tax assets	140	25	165
Non-current assets acquired	**12,377**	**221**	**12,598**
Inventories	335	5	340
Trade and other receivables	2,581	65	2,646
Other current financial assets	—	—	—
Income tax receivable	9	1	10
Cash and cash equivalents	247	7	254
Current assets acquired	**3,172**	**78**	**3,250**
IDENTIFIABLE ASSETS ACQUIRED	**15,548**	**299**	**15,847**

Identifiable liabilities assumed	SFR	Virgin Mobile	Total
Non-current financial liabilities	48	16	64
Non-current provisions	512	10	522
Deferred tax liabilities	1,343	56	1,399
Other non-current liabilities	509	—	509
Non-current liabilities assumed	**2,412**	**82**	**2,494**
Current financial liabilities	4	—	4
Current provisions	353	—	353
Trade payables and other current liabilities	4,558	131	4,689
Current income tax liabilities	83	—	83
Current liabilities assumed	**4,998**	**131**	**5,130**
IDENTIFIABLE LIABILITIES ASSUMED	**7,410**	**213**	**7,623**

	SFR	Virgin Mobile	Total
GOODWILL	**8,874**	**202**	**9,076**

In accordance with IFRS 3R—*Business Combinations*, the acquisitions of SFR and Virgin Mobile were recognized as business combinations. The identifiable assets acquired and liabilities assumed were measured at fair value at the acquisition date under Purchase Price Accounting (PPA).

6.1 Items of the SFR opening balance sheet and determination of goodwill

The fair value of the identifiable assets and liabilities of SFR was determined on the basis of the last SFR business plan available on the acquisition date using commonly used valuation methods:

- Customer relations: fair value was determined based on the excess profits method. This method is based on the discounting of the profits attributable to customer relationships, net of the asset contributing charges. These charges represent the remuneration of the assets necessary to generate the profits associated with customer relationships such as, for example, the brand, licenses, working capital requirement or tangible assets.
- SFR brand: the valuation of the SFR brand is based on the royalties' method. This method is based on the discounted sum of the royalties saved by the brand holder. These royalties are calculated by applying a market royalty rate to the future revenues generated by the sale of products and services associated with the brand.

In addition, contingent liabilities related to disputes were estimated on the basis of work performed by the Group Financial Department assisted by advisors.

6 Changes in scope (Continued)

The principal adjustments are related to the fair value of the intangible assets, including:

- the creation of intangible assets representing customer relationships for €2,675 million;
- the creation of intangible assets representing the "SFR brand" for €1,050 million;
- deferred tax liabilities for €1,341 million, corresponding to the tax effects associated with the adjustments in value made in the determination of the opening balance sheet.

The principal assumptions to which the assets on the opening balance sheet are sensitive are as follows:

- Customer relationships: attrition rate, change in ARPUs and operating margins;
- SFR brand: royalty rate and life span used.

Residual goodwill was €8,874 million and primarily represents the value of future custom relations, the human capital of the company and the synergies specific to the Group expected from this acquisition.

6.2 Acquisition of Virgin Mobile

On December 4, 2014, Numericable-SFR acquired 100% of Virgin Mobile for the price of €295 million.

The main adjustments resulting from marking the assets acquired and the liabilities assumed to fair value correspond to the adjustments in fair value of the intangible assets, including:

- the creation of intangible assets representing customer relations for €160 million;
- deferred tax liabilities for €56 million, corresponding to the tax effects associated with the adjustments in value made in the determination of the opening balance sheet.

Residual goodwill was €202 million and primarily represents the value of future customer relations, the human capital of the company and synergies specific to the Group expected from this acquisition.

6.3 Transition from provisional goodwill to definitive goodwill

The transition from provisional goodwill in Note *6—Changes in scope* to the 2014 Consolidated Financial Statements to definitive goodwill is presented below:

	SFR	Virgin Mobile	Total
		(in € millions)	
Provisional goodwill	**11,145**	**312**	**11,457**
Price adjustment	(120)	(7)	(127)
Customer bases	(2,675)	(160)	(2,835)
SFR's tradename	(1,050)	—	(1,050)
Other assets	(92)	—	(92)
Provisions (including contingent liabilities)	331	1	331
Deferred tax liabilities	1,341	56	1,397
Other liabilities	(5)	—	(5)
DEFINITIVE GOODWILL	**8,874**	**202**	**9,076**

The impact of these adjustments on net income for fiscal year 2015 is a charge of €268 million; this charge consists primarily of (i) amortization related to non-current assets recognized for €474 million and (ii) deferred tax income for €173 million.

In addition, the direct costs related to the acquisitions of SFR and Virgin Mobile amounted to €16 million in 2015 and €61 million in 2014.

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:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
Operating income	**937**	**91**
Depreciation, amortization and impairment	2,554	496
SFR and Virgin Mobile acquisition expenses	16	61
Restructuring costs[(a)]	80	10
Costs relating to stock option plans	9	9
Other non-recurring costs[(b)]	263	42
ADJUSTED EBITDA	**3,860**	**708**

(a) *In 2015, it includes the costs for restoration of the tertiary sites resulting from the combination of the employees on the Saint-Denis site (€37 million), the costs for termination of contracts related primarily to the network (€15 million) and provisions related to store closings (€14 million).*

(b) *In 2015, it includes the gains or losses on tangible and intangible assets* **(***€188 million) and the impact over the period of the additional costs before renegotiation of contracts (€45 million).*

Adjusted EBITDA is the key indicator used by the Group to measure performance. This financial indicator is not defined in IFRS. Adjusted EBITDA excludes certain items that Numericable-SFR considers not relevant to its recurring operating activities.

8 Segment information

As stated in Note *2.6—Segment information,* the Group has three operating segments:

- B2B Operations
- B2C Operations
- Wholesale

The following tables show revenue and adjusted EBITDA broken down by the three operating segments defined by the Group. For information, these two aggregates are performance indicators used and monitored by the Group to direct operating activities.

8.1 Revenue

Revenue is primarily generated in France.

The breakdown by operating segments before intra-segment eliminations is as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
B2C	7,795	1,414
B2B	2,144	468
Wholesale	1,799	396
Intercompany	(699)	(108)
TOTAL	**11,039**	**2,170**

8 Segment information (Continued)

The contributed revenue is detailed as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
B2C	7,595	1,409
B2B	2,116	464
Wholesale	1,328	297
TOTAL	**11,039**	**2,170**

8.2 Adjusted EBITDA

The contributed adjusted EBITDA breaks down by segment as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
B2C	2,373	477
B2B	686	96
Wholesale	801	135
TOTAL	**3,860**	**708**

9 Staff costs and employee benefit expenses and average number of employees

Staff costs and employee benefit expenses break down as follows:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions, except for headcount)	
Average annual headcount[(a)]	**15,816**	**3,349**
Wages and salaries	(706)	(184)
Social security costs	(328)	(66)
Employee profit-sharing	(52)	4
Capitalized payroll costs	270	100
Staff costs	**(816)**	**(146)**
Costs related to stock option plans	(9)	(9)
Employee benefit plans	(10)	(1)
Other[(b)]	(43)	(14)
STAFF COSTS AND EMPLOYEE BENEFIT EXPENSES	**(877)**	**(170)**

(a) *Full-time equivalent.*

(b) *Includes among other things the costs of various personnel as well as the provisions for risks, excluding the provisions for retirement benefits (see Note 38—Restated information).*

The amount of staff costs included in "Other non-recurring expenses and income" is €7 million.

10 Other operating expenses

Other operating expenses consist primarily of the following items:

	December 31, 2015
	(in € millions)
Network operation and maintenance	(807)
Sales and marketing	(615)
Customer service	(514)

10 Other operating expenses (Continued)

	December 31, 2015
	(in € millions)
General and administrative expenses	(309)
Taxes	(223)
OTHER OPERATING EXPENSES	**(2,467)**

Given the change in the presentation of the Consolidated Financial Statements described in Note *1.1—Basis of preparation of the financial information* and the creation of new cost accounting centers in 2015 as a result of the changes within the Group, there is no comparison of the other operating expenses with respect to December 31, 2014.

11 Other non-recurring income and expenses

Other non-recurring income and expenses consist of the following items:

	December 31, 2015	December 31, 2014 restated[1]
	(in € millions)	
Net restructuring costs	(80)	(10)
Other non-recurring costs	(47)	(86)
Gain and loss on sales of property, plant, equipment and intangible assets	(188)	(16)
Other	0	—
OTHER NON-RECURRING INCOME AND EXPENSES	**(314)**	**(112)**

See Note *7—Reconciliation of operating income to adjusted EBITDA.*

12 Net financial income

The cost of gross debt was up from €504 million in 2014 to €781 million in 2015. It is primarily comprised of the following items:

- The interest on the senior debt for €616 million in 2015 versus €433 million in 2014. The increase in interest over 2014 comes from the new fixed-term loans contracted in July and November 2015;
- The amortization of the financial expenses related to the placement of the financing, which represents a charge of €49 million in 2015 versus €55 million in 2014 (in 2014, this amount included a non-recurring expense of €22 million for the unamortized portion of the expenses on the debt extinguished in May 2014);
- The currency translation adjustments on the financial debt and instruments in dollars, recognized through profit or loss for €30 million in 2015 compared with €17 million in 2014. It should be noted that the Group arranged cross-currency swaps to hedge the EUR/USD exchange rate risk stemming from the interest payments and repayment of principal to be made in US dollars for the bonds and term loans related to the 2014 refinancing and the acquisition of SFR, as well as for the new term loans contracted in 2015;
- An expense of €86 million in 2015 (zero in 2014) corresponding to the negative fair value of the rate swaps contracted by the Group in July 2015 for the purpose of cancelling the rate hedge on the coupons over the period of 2019-2022 on the 2022 and 2024 Bonds against payment of a cash balance to Numericable-SFR. As these swaps were not classified as hedges, their fair value at December 31, 2015 was recognized directly in financial income.

12 Net financial income (Continued)

Financial income and other financial expenses are detailed below:

	December 31, 2015	December 31, 2014 restated[1]
	((in € millions)	
Earn-out liability to Vivendi extinction[(a)]	644	—
Other financial income[(b)]	138	15
FINANCIAL INCOME	**782**	**15**
Costs of extinguishing debt (refinancing)	—	(89)
Provisions and unwinding of discount	(18)	(7)
Other	(29)	(15)
OTHER FINANCIAL EXPENSES	**(47)**	**(111)**

(a) Vivendi definitively waived the potential earn-out of €750 million. Accordingly, the Group recognized net financial income of €644 million representing the discounted value of the earn-out that appeared in the Group's non-current financial liabilities at December 31, 2014.

(b) Primarily includes financial income of €124 million for guarantees granted by Vivendi.

13 Income tax expense

13.1 Income tax expense components

	December 31, 2015	December 31, 2014 restated[1]
	((in € millions)	
Tax income (expense)		
Current	(232)	33
Deferred	17	284
INCOME TAX INCOME (EXPENSE)	**(215)**	**317**

13.2 Tax proof

	December 31, 2015	December 31, 2014 restated[1]
	((in € millions)	
Net income (loss)	682	(188)
Neutralization:		
Income tax expense (income)[(d)]	(215)	317
Share in net income (loss) of associates	6	4
PROFIT BEFORE TAXES	**892**	**(509)**
Statutory tax rate in France	38.0%	38.0%
Theoretical tax[(d)]	**(339)**	**193**
Reconciliation between the theoretical tax rate and the effective tax rate:		
Effects of permanent differences[(a)]	258	(47)
Tax credits/tax assessments	(42)	3
CVAE net of current and deferred taxes[(b)]	(41)	(10)
Differences on income tax rate[(c)]	(28)	—
Reassessments of deferred taxes[(d)]	(23)	178
Other	1	(0)
INCOME TAX INCOME (EXPENSE)	**(215)**	**317**
Effective tax rate[(d)]	24.1%	62.4%

13 Income tax expense (Continued)

(a) *Corresponds primarily to the theoretical tax calculated on the financial income of €750 million recognized following Vivendi's waiver of the potential earn-out (see Note 4—Significant events for the fiscal year ended December 31, 2015).*

(b) *Corresponds to the tax charge on the added value of businesses (CVAE) reclassified as corporate income tax under the IFRS (€81 million), net of the tax (€40 million).*

(c) *Article 15 of the 2014 Supplementary Budget Act extended the application of the 10.7% tax on the corporate income tax stipulated by Article 235 ter ZAA of the French General Tax Code for fiscal years ending up to December 30, 2016. As the Group companies close their fiscal year at December 31, this contribution will no longer be applicable in 2016. In this context, the rate used to calculate deferred taxes fell from 38% at December 31, 2015 to 34.43% (i.e., a corporate rate of 33.3% plus the social surtax of 3.3%).*

(d) *In 2014, the Group recorded a net tax savings related to the capitalization of loss carry forwards. As a result, the theoretical tax calculated on income from continuing operations and the effective tax rate show a tax expense (tax income).*

13.3 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:

	December 31, 2014 restated	Income statement	Other	December 31, 2015
		((in € millions)		
Deferred tax assets				
Tax losses[(a)]	1,162	(210)	(61)	891
Provisions	82	24	(14)	92
Property, plant and equipment and intangible assets	407	(7)	(13)	388
Derivative instruments	71	24	(21)	74
Other	133	6	4	142
Offsetting[(b)]	(523)	—	(208)	(730)
Deferred tax assets, gross	**1,332**	**(164)**	**(312)**	**856**
Unrecognized tax assets				
Tax losses[(a)]	(703)	42	60	(601)
Other	(128)	(117)	(8)	(253)
Deferred tax assets, net	**501**	**(239)**	**(260)**	**2**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	1,603	(232)	7	1,378
Derivative instruments	83	15	(8)	91
Other	130	(39)	(13)	78
Offsetting[(b)]	(523)	—	(208)	(730)
Deferred tax liabilities	**1,294**	**(256)**	**(222)**	**816**
NET DEFERRED TAX ASSETS (LIABILITIES)	**(793)**	**17**	**(38)**	**(814)**

(a) *As of December 31, 2015, the Group recognized a deferred tax asset for €290 million 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.*

13.4 Tax receivables

At year-end, tax receivables corresponded mainly to the corporate income tax installments paid in 2015.

14 Goodwill and impairment tests

14.1 Change in goodwill

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Net carrying amount	**10,554**	**1,484**
Acquisitions[(a)]	—	9,076
Disposals	—	(5)
Other	—	—
NET VALUE AT END OF YEAR	**10,554**	**10,554**

(a) *See Note 6—Changes in scope.*

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

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
B2C Operations	5,613	5,613
B2B Operations	3,017	3,017
Wholesale	1,924	1,924
TOTAL	**10,554**	**10,554**

14.2 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 (see Note *2.6—Segment information).*

14.3 Principal 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 *2.14—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 six-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 *2.14—Impairment of assets,* the determination of the value in use also depends on assumptions such as the discount rate and the perpetuity growth rate.

14 Goodwill and impairment tests (Continued)

The value in use is determined from the following estimates at December 31, 2015:

Basis of recoverable amount	Value in use
Methodology	DCF
Projection period	6 years
Post-tax discount rate	7.00%
Perpetuity growth rate	1.00%

At December 31, 2015, 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	+4.4%	+1.4%	+1.9%
Growth rate decrease	-7.2%	-1.9%	-2.7%
Decrease in the adjusted Ebitda margin over the business plan and terminal value period	-11.5%	-4.8%	-6.7%

15 Other intangible assets

15.1 Intangible assets by type:

The presentation of the breakdown of intangible assets by type was changed to offer better readability following the application of Purchase Price Accounting:

	December 31, 2015			December 31, 2014 restated		
	Gross	Amort, dep. & impairment	Net	Gross	Amort, dep. & impairment	Net
			(in € millions)			
SFR trade name[(a)]	1,050	(76)	974	1,050	(6)	1,044
Licenses[(b)]	2,190	(149)	2,041	1,756	(12)	1,745
Customer bases[(c)]	2,875	(368)	2,508	2,875	(32)	2,843
Software	1,887	(754)	1,134	1,504	(304)	1,200
Other intangible assets[(d)]	2,316	(989)	1,327	2,146	(583)	1,563
TOTAL	**10,318**	**(2,335)**	**7,983**	**9,331**	**(936)**	**8,395**

(a) The SFR brand was valued at the time of application of Purchase Price Accounting (refer to Note 6—Changes in scope) and is amortized over 15 years.

(b) Includes the licenses held by SFR at the time it was acquired (refer to Note 2.11—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.

(c) 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.

(d) Primarily include the rights to use the cable infrastructure and civil engineering facilities built by the historical operator France Telecom, the concession contracts (IFRIC 12), the costs of customer acquisition and service access fees.

15 Other intangible assets (Continued)

15.2 Change in net intangible assets:

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

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Net carrying amount in the opening balance	**8,395**	**307**
Amortization and impairment	(1,454)	(144)
Acquisitions	1,158	158
Disposals	(147)	(10)
Changes in scope	—	7,994
Other	32	89
NET BOOK VALUE IN THE CLOSING BALANCE	**7,983**	**8,395**

15.3 Breakdown of amortization and impairment:

The following is a breakdown of amortization and impairment:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
SFR trade name	(70)	(6)
Licenses	(137)	(12)
Customer bases	(336)	(28)
Software	(447)	(38)
Other intangible assets	(464)	(60)
TOTAL	**(1,454)**	**(144)**

16 Property, plant and equipment

16.1 Property, plant and equipment by type:

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

	December 31, 2015			December 31, 2014 restated		
	Gross	Dep. & impairment	Net	Gross	Dep. & impairment	Net
			(in € millions)			
Land	90	(1)	88	85	(1)	84
Buildings	1,656	(257)	1,399	1,553	(135)	1,418
Technical equipment	5,235	(2,158)	3,078	4,955	(1,942)	3,012
Assets in progress	344	(7)	338	346	(6)	340
Other	1,266	(543)	724	981	(192)	789
TOTAL	**8,591**	**(2,965)**	**5,627**	**7,920**	**(2,277)**	**5,643**

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).

16 Property, plant and equipment (Continued)

16.2 Change in net property, plant and equipment:

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

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Net carrying amount in the opening balance	**5,643**	**1,465**
Amortization, depreciation and impairment	(1,100)	(352)
Acquisitions	1,213	444
Disposals	(80)	(25)
Changes in scope	—	4,182
Other	(50)	(70)
NET BOOK VALUE IN THE CLOSING BALANCE	**5,627**	**5,643**

16.3 Breakdown of amortization and impairment:

The following is a breakdown of amortization and impairment:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Buildings	(140)	(15)
Technical equipment	(575)	(293)
Assets in progress	(0)	2
Other tangible assets	(384)	(46)
TOTAL	**(1,100)**	**(352)**

16.4 Property, plant and equipment financed by finance leases:

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

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Land	6	6
Buildings	32	37
Network and technical equipment	88	65
Other	3	4
TOTAL	**128**	**112**

17 Investments in associates

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

	(in € millions)
Balance as at December 31, 2014 restated	**126**
Equity in net income	6
Other[(a)]	(23)
BALANCE AS AT DECEMBER 31, 2015	**110**

[(a)] *Including the capital reimbursement of the real estate companies Rimbaud 3 and Rimbaud 4 for €18 million.*

The equity associate that made the best contribution to results is Synerail Construction, the company in charge of construction within GSMR (€6 million).

17 Investments in associates (Continued)

17.1 Main interests in associates

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

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Numergy[(a)]	78	79
La Poste Telecom[(b)]	—	—
Other associates	26	19
Associates	**104**	**98**
Synerail[(c)]	—	—
Foncière Rimbaud[(d)]	6	28
Joint ventures	**6**	**28**
TOTAL	**110**	**126**

The main investments in associates are as follows:

(a) SFR, Bull and Caisse des Dépôts formed Numergy in 2012 (in which the Group holds 46.7%). This company offers IT infrastructure capable of hosting data and applications, accessible remotely as a secure service known as "cloud computing" services. The Group's share amounting to €105 million is only 25% paid up. The debt for the unpaid portion appears in liabilities in the amount of €79 million (see Note *30—Other current liabilities*). The value of the securities was reduced to the amount of capital not paid up, i.e., €79 million at end-2014. As a result of new losses recorded in 2015, the value of the securities is €78 million.

On January 22, 2016, the Group acquired the shares held by Caisse des Dépôts and Bull (see Note *37—Subsequent events*).

(b) 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 €21.4 million at year-end 2015.

(c) 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. The negative value of the equity interests in Synerail was adjusted to zero by offsetting against provisions totaling €4.2 million at end-2015.

(d) 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 third 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.

The shareholding percentages of these principal equity associates are indicated in Note *35—List of consolidated entities*.

17 Investments in associates (Continued)

17.2 Condensed financial information

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

	Numergy		La Poste Telecom		Synerail	
	2015	2014	2015	2014	2015	2014
			(in € millions)			
Revenues	4	2	202	182	167	170
Net income (loss)	(16)	(20)	(9)	(6)	2	(18)
Equity	168*	184	(83)	(67)	(15)	(33)
Cash (-)/Net debt (+)	2	5	51	56	487	435
Total balance sheet	175	190	38	40	598	528

* *Of which €79 million in subscribed capital not paid by SFR as of December 31, 2015.*

18 Other non-current assets

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Derivative financial instruments[a]	1,915	911
Other[b]	198	92
Non-current financial assets	2,112	1,003
Other non-current assets	57	50
OTHER NON- CURRENT ASSETS	**2,169**	**1,053**

[a] *See Note 25.1—Fair value of derivative instruments.*

[b] *Includes the offsetting entry for the financial income of €124 million recognized for the guarantees granted by Vivendi.*

19 Inventories

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Inventories of terminals and accessories	317	281
Other	13	18
Inventories—gross	**331**	**299**
Impairment	(45)	(43)
INVENTORIES—NET VALUE	**286**	**256**

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

The handsets inventories at December 31, 2015 consisted of €110 million classified as inventories on deposit with distributors (classified as agents) (€109 million in 2014).

20 Trade and other receivables

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Trade receivables[a]	2,277	2,246
Impairment of doubtful debts[b]	(442)	(475)
Trade receivables, net	1,835	1,771
Receivables from suppliers	217	193
Tax and social security receivables	538	599
Prepaid expenses	108	160
Other receivables non-operating	25	9
TRADE AND OTHER RECEIVABLES, NET	**2,723**	**2,732**
Corporate tax[c]	270	250
Corporate tax integration receivables	1	1
TAX RECEIVABLES	**271**	**252**

(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. Orange, the Group's largest operator customer, is also its largest supplier.

(c) *Tax receivables represent the installment paid in 2015.*

21 Other current financial assets

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Price adjustment—SFR and Virgin Mobile[a]	—	127
Derivative financial instruments	—	1
Other	2	7
OTHER CURRENT FINANCIAL ASSETS	**2**	**135**

(a) *See Note 6—Changes in scope*

22 Cash and cash equivalents

Cash and cash equivalents as of December 31, 2015 can be broken down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Cash	210	191
Cash equivalents[a]	144	429
CASH AND CASH EQUIVALENTS	**355**	**620**

(a) *Cash equivalents mainly correspond to money-market UCITS.*

23 Equity

At December 31, 2015, Numericable-SFR's share capital, based on the number of shares issued at that date, amounted to €440,129,753 comprising 440,129,753 ordinary shares with a nominal value of €1 each.

23.1 Change in share capital

Date	Transaction	Shares issued
December 31, 2014		**486,939,225**
May 28, 2015	Cancellation of treasury shares	(48,693,922)
November 24, 2015	Exercise of stock options	1,884,450
DECEMBER 31, 2015		**440,129,753**

23.2 Treasury shares

As indicated in Note *4—Significant events for the fiscal year ended December 31, 2015*, in May 2015, the Group bought back 48,693,922 of its own shares from Vivendi. These shares were then cancelled on May 28, 2015.

In addition, in early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its traded shares and the regularity of their prices on NYSE Euronext Paris.

As of December 31, 2015, the Group held 44,517 treasury shares as part of the liquidity contract.

23.3 Earnings per share

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
NET INCOME USED FOR CALCULATING BASIC EARNINGS PER SHARE	**675**	**(188)**
Impact of dilutive instruments:		
Stock option plans[a]	—	—
NET INCOME USED FOR CALCULATING DILUTED EARNINGS PER SHARE	**675**	**(188)**

(a) Stock options granted at end-2015 (7,502,636 options) are non-dilutive in view of the change in share price between the grant date and the balance sheet date, and the valuation of the plans.

The table below shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	December 31, 2015	December 31, 2014 restated
	(number of shares)	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**458,180,714**	**181,038,305**
Impact of dilutive instruments:		
Stock option plans	—	—
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING—DILUTED	**458,180,714**	**181,038,305**

23.4 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.

23 Equity (Continued)

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 Numericable-SFR, 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 in fiscal years 2014 or 2013.

24 Financial liabilities

Financial liabilities break down as follows:

	Current		Non-current		Total	
	December 31, 2015	December 31, 2014 restated	December 31, 2015	December 31, 2014 restated	December 31, 2015	December 31, 2014 restated
			(in € millions)			
Bonds	173	163	9,305	8,572	9,478	8,735
Term loans	81	16	7,050	3,967	7,132	3,983
Derivative instruments	—	—	87	—	87	—
Borrowings and financial liabilities	**254**	**179**	**16,443**	**12,539**	**16,697**	**12,718**
Finance lease liabilities	31	37	35	32	66	69
Perpetual subordinated notes ("TSDI")	—	—	43	40	43	40
Deposits received from customers	14	17	121	69	135	86
Bank overdrafts	126	36	—	—	126	36
Vivendi earn-out	—	—	—	644	—	644
Other	418	9	16	25	434	34
Other financial liabilities	**588**	**99**	**215**	**810**	**803**	**909**
FINANCIAL LIABILITIES	**842**	**278**	**16,658**	**13,349**	**17,500**	**13,627**

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

- At December 31, 2015: €1 = $1.0887
- At December 31, 2014: €1 = $1.211

24.1 Bonds

Bonds can be broken down as follows:

Original currency	Maturity	Coupon in foreign currency	Coupon in euros[1]	Original amount (millions) in foreign currency	Original amount (millions) in euros[2]	Outstanding amount at December 31 (millions) in euros[3]	
						2014	2015
EUR	May 2022	5.38%	5.38%	1,000	1,000	1,000	1,000
EUR	May 2024	5.63%	5.63%	1,250	1,250	1,250	1,250
USD	May 2019	4.88%	4.35%	2,400	1,736	1,982	2,204
USD	May 2022	6.00%	5.14%	4,000	2,893	3,303	3,674
USD	May 2024	6.25%	5.38%	1,375	994	1,135	1,263
TOTAL					**7,873**	**8,670**	**9,392**

24 Financial liabilities (Continued)

[1] Corresponds to the interest rate of hedging instruments.

[2] Corresponding value at the exchange rate of hedging instruments (€1 = $1.3827).

[3] Amounts expressed exclude accrued interest (€201 million as of December 31, 2015 and €186 million as of December 31, 2014) and exclude the impact of the effective interest rate (€115 million as of December 31, 2015 and €121 million as of December 31, 2014). Including accrued interest and impact of EIR, the total bond borrowings amounted to €9,478 million as of December 31, 2015 and €8,735 million as of December 31, 2014.

24.2 Bank borrowings

In July 2015, the Group drew two new tranches of the Term Loan in order to repay the Revolving Credit Facility (RCF) that had been drawn in the amount of €800 million at June 30, 2015:

- a B5 tranche denominated in US dollars in the amount of €498 million;
- a B5 tranche of €300 million.

These tranches will mature in July 2022 and will be repaid at the rate of 0.25% of the nominal amount each quarter.

In November 2015, the Group drew two new tranches of the Term Loan in order to finance the dividend paid in December 2015:

- a B6 tranche denominated in US dollars in the amount of €1,184 million;
- a B6 tranche of €500 million.

These tranches will mature in January 2023 and will be repaid at the rate of 0.25% of the nominal amount each quarter.

Bank loans break down as follows (the new tranches issued in 2015 are shown in italics):

Currency	Tranche	Maturity	Reference interest rate	Margin in foreign currency[1]	Margin in euros[2]	Original amount (millions) in foreign currency	Original amount (millions) in euros	Outstanding amount at December 31 (millions) in euros[4]	
								2014	2015
EUR	B1/B2/B4	May 2020	Euribor 3M	4.500%	4.500%	1,900	1,900	1,900	1,881
USD	B1	May 2020	Libor 3M	4.500%	4.214%	1,394	1,008[3]	1,151	1,268
USD	B2	May 2020	Libor 3M	4.500%	4.209%	1,206	872[3]	996	1,097
USD	*B5*	July 2022	Libor 3M	4.563%	4.043%	550	*498*[3]	—	*505*
EUR	*B5*	July 2022	Euribor 3M	4.563%	4.563%	300	300	—	*300*
USD	*B6*	Jan. 2023	Libor 3M	4.750%	4.150%	1,340	*1,184*[3]	—	*1,231*
EUR	*B6*	Jan. 2023	Euribor 3M	4.750%	4.750%	500	*500*	—	*500*
Revolving Credit Facility (RCF)[5]						—	—	—	450
TOTAL							**6,262**	**4,047**	**7,232**

[1] Including a minimum ("floor") of 0.75%. Interest is payable quarterly at the end of January, April, July and October.

[2] Corresponds to the interest rate of hedging instruments.

[3] For loans in dollars, the corresponding value at the exchange rate for hedging instruments (€1=$1.3827 for tranches B1/B2, €1=$1.1041 for tranche B5, €1= $1.1318 for tranche B6).

[4] Amounts expressed exclude accrued interest (€49 million as of December 31, 2015 and €32 million as of December 31, 2014) and exclude the impact of the effective interest rate (€149 million as of December 31, 2015 and €96 million as of December 31, 2014). Including accrued interest and impact of EIR, total bank borrowings amounted to €7,132 million as of December 31, 2015, and €3,983 million as of December 31, 2014.

[5] In May 2014, the Group signed a Revolving Credit Facility ("RCF") agreement wherein the maximum amount able to be drawn rose from €750 million at end-2014 to €1,125 million at end-2015. At December 31, 2015, this line of credit had been drawn by €450 million (it had not been drawn at end-2014).

Bank loans, with the exception of the RCF, will all be repaid at the rate of 0.25% of the nominal amount each quarter.

24 Financial liabilities (Continued)

24.3 Vivendi earn-out

The earn-out, which would have been due from Numericable-SFR to Vivendi if EBITDA-CAPEX reaching €2 billion in any fiscal year before December 31, 2024, was canceled under the agreement signed with Vivendi in February 2015.

24.4 Other

Other financial liabilities include, as of December 31, 2015, a debt for €171 million linked to the setting-up, during the fiscal year, of a non-deconsolidated receivables securitization contract and a debt of €241 million linked to the setting-up of a reverse factoring contract during the fiscal year.

Securitization

In late March 2015, SFR SA sold without recourse its portfolio of company receivables established March 22, 2015, net of assets and excluding certain customers not eligible for this type of transaction for a price of €210 million to Ester Finance Titrisation, a 100% owned subsidiary of the Crédit Agricole Corporate and Investment Banking group. Each month, SFR SA sells without recourse the new receivables that have arisen during the month and returns the payments received on the receivables sold during the preceding sales to Ester. Ester Finance Titrisation has committed to purchasing the receivables of the Business segment of SFR SA for a 5-year period, for a maximum of €220 million, on a monthly basis and via a revolving structure. This commitment could end as is standard for this type of transaction with the occurrence of certain events (bankruptcy of seller or its shareholder, noncompliance with certain obligations or commitment, default of payment connected to the securitization transaction, and noncompliance with certain performance covenants solely related to the portfolio sold). SFR SA continues to handle the relationship with the Business customer, billing, collection and recovery of receivables. Ester Finance Titrisation pays SFR SA for these services. As the sale is without recourse, Ester Finance Titrisation assumes the risk of dilution, non-payment or non-recoverability. In order to protect itself from this risk, the sale price is not the face value of the receivables, but the face value with a discount. SFR SA pays Ester Finance Titrisation for its irrevocable commitment to purchase eligible receivables from SFR SA with a commission of 0.70% per year. SFR SA also pays, at the reference rate, which is the average of the 1-month EURIBOR and 2-month EURIBOR, plus a 1.40% margin per year, for the provision of Ester Finance Titrisation funds between the sale date and date of effective payment of the bill by SFR SA's business customer.

Reverse factoring

In August 2015, SFR SA, a subsidiary of the BNP Paribas Group and around ten of the main service or equipment providers of SFR SA set up new agreements for payment of SFR SA's provider bills. By amending the contract linking the provider and SFR SA, it was determined that the BNP Paribas subsidiary would take over the invoices of this provider in exchange for payment at the initial bill deadline. In a separate agreement, SFR SA committed to paying the subsidiary of BNP Paribas for a bill with an extended deadline, whose extension could not exceed 360 days after the provider issued it. SFR SA pays the subsidiary of the BNP Paribas Group to extend the maturity date of the invoice to EURIBOR 1, plus a margin. As of December 31, 2015, the invoices of 8 providers, at around €207 million, were incorporated into this maturity extension program. These invoices will mature in the third or fourth quarter of 2016.

In November 2015, SFR SA, a subsidiary of the Société Générale Group and other group providers established agreements that were similar to those described above to extend the maturity of some invoices of these providers. As of December 31, 2015, the invoices of 4 providers at around €33 million were incorporated into this maturity extension program. These invoices will mature in the third or fourth quarter of 2016.

24 Financial liabilities (Continued)

24.5 NET FINANCIAL DEBT

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

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Bonds	9,392	8,670
Term loans	7,231	4,047
Finance lease liabilities	66	69
Other financial liabilities	147	70
Financial Liabilities contributing to net financial debt[(a)]	**16,836**	**12,856**
Cash and cash equivalents	355	620
Net derivative instruments	1,828	912
Financial Assets contributing to net financial debt[(b)]	**2,183**	**1,532**
NET FINANCIAL DEBT (A)—(B)	**14,653**	**11,325**

(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) and earn-out to Vivendi). All these liabilities are translated at the closing exchange rates.*

(b) *Asset items consist of cash and cash equivalents, near-cash assets, and the value of derivatives, which, as of December 31, 2015, show a positive currency translation impact of €2,080 million and an interest rate loss of €252 million. The corresponding figures as of December 31, 2014 were a positive currency effect of €1,063 million and an interest rate loss of €151 million.*

24.6 Senior Debt Liquidity Risk

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

	2016	2017	2018	2019	2020	2021 and beyond	Total
				(in € millions)			
USD bonds	278	278	278	991	299	5,613	7,738
USD term loans	196	194	191	200	1,882	1,813	4,476
EUR bonds	124	124	124	124	124	2,606	3,226
EUR term loans	149	149	148	147	1,895	835	3,324
RCF	23	23	23	23	461	—	555
TOTAL	**770**	**768**	**765**	**1,485**	**4,661**	**10,867**	**19,318**

The main assumptions used in this schedule are as follows:

- US dollar amounts are translated to euros at the closing rate (€1 = $1.0887) and also refer to the specific assumptions for debts denominated in US dollars as described in Note *2.4—Liquidity risk on debts in foreign currencies*;
- Calculations of interest are based on the Euribor and Libor rates at December 31, 2015 (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).

25 Derivative Instruments

25.1 Fair value of derivative instruments

Note	Type	Underlying element	December 31, 2015	December 31, 2014 restated
			(in € millions)	
		2019 USD bonds	430	218
		2022 USD bonds	740	333
		2024 USD bonds	253	114
25.2	Cross-currency swaps	2020 USD refinancing term loan	261	127
		2020 USD non-refinancing term loan	225	119
		2022 USD term loan	1	—
		2023 USD term loan	5	—
25.3	Interest rate swaps	Fixed rate—Floating rate	(86)	—
		Derivative instruments classified as assets	1,915	911
		Derivative instruments classified as liabilities	(87)	—
		NET DERIVATIVE INSTRUMENTS	**1,828**	**911**
		o/w currency effect	*2,080*	*1,063*
		o/w interest rate effect	*(252)*	*(151)*

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).

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.

At December 31, 2015, the fair value of the derivatives was Level 2.

25.2 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.

25 Derivative Instruments (Continued)

Hedges established are detailed in the table below:

	Notional		Margin		Initial exchange date	Final exchange date	Coupons payment date
	USD	EUR	USD	EUR			
	(in € millions)						
2019 bonds	2,400	1,736	4.875%	4.354%	April 30, 2015[3]	May 15, 2019	
2022 bonds	4,000	2,893	6.000%	5.143%	April 30, 2015[3]	May 15, 2022[1]	February 15-
2024 bonds	1,375	994	6.250%	5.383%	April 30, 2015[3]	May 15, 2022[1]	August 15
2020 (« refi ») term loan	1,397	1,010	L+3,750%	E+4,210%	May 21,2014	May 15, 2019	Jan. 31-
2020 (« non-refi ») term loan	1,203	870	L+3,750%	E+4,210%	April 30, 2015[3]	May 15, 2019	April 30-
2022 term loan	550	498	L+3,250%[2]	E+2,730%[2]	August 3, 2015	July 31, 2022[1]	July 31 and
2023 term loan	1,340	1,184	L+4,000%[2]	E+4,130%	Nov. 10, 2015	Jan. 31, 2023[1]	October 31
TOTAL	**12,265**	**9,185**					

[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 2022 Loan;*
- *in November 2020 for the 2023 Loan;*

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

[2] *A minimum (floor) of 0.75% applies to the LIBOR and EURIBOR.*

[3] *Once the completion date of the acquisition of SFR was known, in October 2014 the Group signed a currency swap with Société Générale to bring forward the date of the first swap to late November 2014 in order to have enough euros available to make the cash payment to Vivendi.*

The swap agreements described above are guaranteed and benefit from the same security as granted for the bonds and bank loans (see Note *33—Commitments and contractual obligations*).

25.3 Interest rate swaps

In early July 2015, the Group made swaps for the purpose of cancelling the hedging of coupon rates for the USD leg for the 2019-2022 period, as concerns the 2022 and 2024 Bonds, against payment of the balance to Numericable-SFR.

Fixed interest rates of 6% and 6.25% respectively on these Bonds were moreover changed to variable LIBOR rates, plus a margin of 2.03% and 2.28% respectively (for the 2019-2022 period).

These swaps were not qualified as a hedge, and their negative fair value of €86 million as of December 31, 2015 was recognized directly in income.

25.4 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 = $1.0887);
- Calculations of interest are based on the EURIBOR and LIBOR rates at December 31, 2015 (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);

25 Derivative Instruments (Continued)

- 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.

	2016	2017	2018	2019	2020	2021 and beyond	Total
				(in € millions)			
USD Bonds (A)	**278**	**278**	**278**	**991**	**299**	**5,613**	**7,738**
Flows in USD	407	407	407	2,582	299	5,613	9,716
Swap—flows in USD	(407)	(407)	(407)	(7,372)	—	—	(8,592)
Swap—flows in EUR	278	278	278	5,781	—	—	6,615
USD Term loans (B)	**196**	**194**	**191**	**200**	**1,882**	**1,813**	**4,476**
Flows in USD	230	229	227	226	2,423	1,813	5,149
Swap—flows in USD	(176)	(179)	(180)	(134)	(3,958)	—	(4,627)
Swap—flows in EUR	143	144	144	108	3,416	—	3,954
TOTAL = (A)+(B)	**474**	**472**	**469**	**1,191**	**2,181**	**7,426**	**12,214**

25.5 Credit risk and counterparty risk

Numericable- SFR is exposed to bank counterparty risk in its investments and derivatives; Numericable-SFR 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.

26 Provisions

	December 31, 2015					
	Opening restated[1]	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
			(in € millions)			
Employee benefit plans[(a)]	121	12	(0)	—	(8)	125
Restructuring	11	56	(27)	(0)	14	55
Technical site restoration[(b)]	76	4	(2)	—	39	117
Litigation and other[(c)]	756	157	(68)	(72)	(16)	758
PROVISIONS	**965**	**230**	**(97)**	**(72)**	**29**	**1,055**
Current provisions	*330*	*107*	*(64)*	*(45)*	*(0)*	*328*
Non-current provisions	*635*	*122*	*(33)*	*(27)*	*29*	*727*

[1] *See Note 38—Restated Information.*

(a) *Employee benefit plans: see Note 28—Post-Employment Benefits.*

(b) *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.*

(c) *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 (see Note 34—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.*

26 Provisions (Continued)

The restated table for fiscal year 2014 is presented below:

	December 31, 2014 restated						
	Opening published	Change in scope	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing restated
				(in € millions)			
Employee benefit plans	10	105	6	—	—	—	121
Restructuring	—	36	11	(35)	(0)	—	11
Technical site restoration	—	60	3	(2)	—	15	76
Litigation and other	70	343	396	(47)	(4)	(2)	756
PROVISIONS	**80**	**543**	**417**	**(84)**	**(4)**	**12**	**965**
Current provisions	*6*	*340*	*60*	*(72)*	*(4)*	*0*	*330*
Non-current provisions	*74*	*204*	*357*	*(11)*	*(0)*	*12*	*635*

27 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 Numericable-SFR and employees of the Group.

The exercise of options is subject to conditions of employment and performance (based on revenue and EBITDA—Capex indicators of the Group).

The vesting occurs in three periods:

- 50% at the end of two years;
- 25% at the end of three years;
- 25% at the end of four years.

The main assumptions used for the valuation of the various stock option plans are listed in the table below:

Plan / Date	November 2013	January 2014	May 2014	November 2014	April 2015	September 2015
Total fair value on grant date (in thousands of euros)	9,702	1,145	269	12,251	2,653	514
Exercise price of the option (in euros)*	11.37	12.67	17.84	24.78	44.21	38.81
Anticipated volatility (weighted average)	25%	25%	25%	25%	26%	27%
Expiry date (maturity)	November 2021	January 2022	May 2022	November 2022	April 2023	September 2023
Anticipated dividends	4%	4%	4%	4%	4%	4%
Risk-free interest rate (based on government bonds)	0.75%	1%	0.50%	0.25%	0%	0%

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

27 Share-based payments (Continued)

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).

(Number of options) Plan / Date	November 2013	January 2014	May 2014	November 2014	April 2015	September 2015
Options outstanding as at January 1, 2015	5,227	528	92	2,346	—	—
Granted	—	—	—	—	355	90
Cancelled, lapsed	—	(314)	(46)	(64)	—	—
Exercised	(1,817)	—	(46)	(21)	—	—
Adjustment 12/2015*	638	40	—	422	54	17
OPTIONS OUTSTANDING AS AT DECEMBER 31, 2015	**4,048**	**255**	**—**	**2,684**	**409**	**106**
o/w exercisable as at December 31, 2015	1,194	124	—	202	—	—

* Adjusted for the number of outstanding options following payment of the €5.7 per share dividend in December 2015.

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 at January 1, 2015	8,193	15.4
Granted	445	43.1
Cancelled, lapsed	(424)	17.9
Exercised	(1,884)	13.9
Adjustment 12/2015*	1,171	21.8
OPTIONS OUTSTANDING AS AT DECEMBER 31, 2015	**7,502**	**18.4**

* Adjusted for the number of outstanding options following payment of the €5.7 per share dividend in December 2015.

28 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.

28.1 Assumptions used for defined-benefit plans

	December 31, 2015	December 31, 2014 restated
Discount rate	2%	2%
Expected salary increase rate	2%	3%
Inflation rate	2%	2%

Demographic assumptions are specific to each company.

28 Post-employment benefits (Continued)

28.2 Change in commitments

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Benefit obligation—opening balance	**121**	**10**
Service cost	10	1
Interest cost	2	0
Actuarial loss (gain)	(8)	3
Benefit paid	(0)	(0)
Business combinations	—	106
BENEFIT OBLIGATION—CLOSING BALANCE	**125**	**121**

The Group had no hedge assets as of December 31, 2015 or as of December 31, 2014.

28.3 Breakdown of recognized expense in the Consolidated statement of income

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Service cost	10	1
Interest cost	2	0
Benefit paid	(0)	(0)
NET PERIOD EXPENSE OF POST-EMPLOYMENT BENEFITS	**12**	**2**

28.4 Actuarial gains and losses recognized in comprehensive income

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Actuarial losses (gains) from experience	(4)	0
Actuarial losses (gains) from changes of assumptions	(4)	3
ACTUARIAL LOSSES (GAINS) RECOGNIZED IN COMPREHENSIVE INCOME	**(8)**	**3**
ACTUARIAL LOSSES (GAINS) CUMULATED IN COMPREHENSIVE INCOME (OCI)	**(3)**	**5**

28.5 Sensitivities

The impact of a change in discount rate for the actuarial liability is presented in the table below:

	(in € millions)
Benefit obligation at 1.75%	131
Benefit obligation at 2.00%	**125**
Benefit obligation at 2.25%	120

29 Other non-current liabilities

This item breaks down as follows:

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Deferred income[(a)]	306	382
GSM and LTE licenses[(b)]	440	112
Numergy capital not paid up[(c)]	—	63
Other	35	25
OTHER NON CURRENT LIABILITIES	**780**	**582**

(a) Prepaid income of more than one year, mainly consisting of unrecognized revenues from network leasing. The current portion of deferred revenue (i.e., revenue to be recognized in the twelve months following the close of the fiscal year) is presented in "Other Current Liabilities" as indicated in Note 30—Trade payables and other current liabilities.

(b) Debt maturing at the latest in 2021.

(c) The debt was reclassified in the short-term, following SFR's acquisition of shares held by other shareholders in January 2016 (see Note 37—Subsequent events).

30 Trade payables and other current liabilities

30.1. Trade payables and other liabilities

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Trade payables and other liabilities	2,811	2,899
Payables from purchase of intangible and tangible assets	793	690
Advances and deposits from customers, credit customers	461	418
Tax liabilities	431	559
Social security liabilities	383	438
Other	0	7
TRADE PAYABLES AND OTHER LIABILITIES	**4,878**	**5,011**

30.2 Other current liabilities

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Prepaid income[(a)]	508	590
Numergy capital not paid up[(b)]	79	16
Other	11	—
OTHER CURRENT LIABILITIES	**597**	**606**

(a) See Note 29—Other non-current liabilities.

(b) The long-term debt was reclassified to short-term following SFR's acquisition of shares held by other shareholders in January 2016 (see Note 37—Subsequent events).

31 Financial instruments

31.1 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:

	December 31, 2015							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortized cost	Derivatives qualifying as hedges	Total net carrying value	Fair value
	(in € millions)							
Assets								
Trade and other receivables*	20				2,615		2,615	2,615
Derivative instruments classified as assets	18	491				1,424	1,915	1,915
Non-current financial assets	18		9	64	125		198	198
Other non-current assets	18				57		57	57
Current financial assets	21			2			2	2
Cash and cash equivalents	22	355					355	355
Liabilities								
Non-current long term borrowings and financial liabilities	24				16,355		16,355	16,062
Derivative instruments classified as liabilities	24	87					87	87
Other non-current financial liabilities	24				215		215	215
Other non-current liabilities*	29				475		475	475
Short-term borrowings and financial liabilities	24				254		254	254
Other financial liabilities	24				588		588	588
Trade payables and other liabilities	30				4,878		4,878	4,878
Other current liabilities*	30				90		90	90

* *Excluding prepaid expenses and income.*

31 Financial instruments (Continued)

	December 31, 2014 restated							
	Note	Assets/ liabilities measured at fair value through income	Assets available for sale	Loans and receivables	Assets/ liabilities at amortized cost	Derivatives qualifying as hedges	Total net carrying value	Fair value
	(in € millions)							
Assets								
Trade and other receivables*	20				2,572		2,572	2,572
Derivative instruments classified as assets	18					912	912	912
Non-current financial assets	18	1	9	79	3		93	93
Other non-current assets	18				50		50	50
Current financial assets	21			134			134	134
Cash and cash equivalents	22	620					620	620
Liabilities								
Non-current long term borrowings and financial liabilities	24				12,539		12,539	12,601
Other non-current financial liabilities	24				810		810	810
Other non-current liabilities*	29				200		200	200
Short-term borrowings and financial liabilities	24				179		179	184
Other financial liabilities	24				99		99	99
Trade payables and other liabilities	30				5,011		5,011	5,011
Other current liabilities*	30				16		16	16

* Excluding prepaid expenses and 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.

31 Financial instruments (Continued)

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

	2015			
	Fair value	Level 1	Level 2	Level 3
		(in € millions)		
Financial assets measured at fair value				
Derivative instruments classified as assets	1,915		1,915	
Other non-current financial assets	9			9
Other current financial assets				
Cash and cash equivalents	355	355		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities	87		87	

	2014 restated			
	Fair value	Level 1	Level 2	Level 3
		(in € millions)		
Financial assets measured at fair value				
Derivative instruments classified as assets	912		912	
Other non-current financial assets	10	1		9
Other current financial assets				
Cash and cash equivalents	620	620		
Financial liabilities measured at fair value				
Derivative instruments classified as liabilities				

31.2 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.

31.3 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 amounts, expressed in millions		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2019 Bonds	USD	(2,400)	—	2,400	(1,736)	—	(1,736)
2022 Bonds	USD	(4,000)	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	(1,375)	—	1,375	(994)	—	(994)
2020 (« refi ») term loan	USD	(1,394)	—	1,394	(1,008)	—	(1,008)
2020 (« non refi ») term loan	USD	(1,206)	—	1,206	(872)	—	(872)
2022 Loan	USD	(550)	—	550	(498)	—	(498)
2023 Loan	USD	(1,340)	—	1,340	(1,184)	—	(1,184)
TOTAL		**(12,265)**	**—**	**12,265**	**(9,185)**	**—**	**(9,185)**

31 Financial instruments (Continued)

The following table shows the impact of hedging on the residual debt as of December 31, 2015, before and after hedging:

Amounts as at December 31, 2015 expressed in millions		Initial position		Hedging instrument		Final position	
	Currency	In foreign currency	In euros	In foreign currency	In euros	In foreign currency	In euros
2019 Bonds	USD	*(2,400)*	—	2,400	(1,736)	—	(1,736)
2022 Bonds	USD	*(4,000)*	—	4,000	(2,893)	—	(2,893)
2024 Bonds	USD	*(1,375)*	—	1,375	(994)	—	(994)
2020 (“refi”) term loan	USD	*(1,380)*	—	1,394	(1,008)	14	(1,008)
2020 (“non refi”) term loan	USD	*(1,194)*	—	1,206	(872)	12	(872)
2022 Loan	USD	*(550)*	—	550	(498)	—	(498)
2023 Loan	USD	*(1,340)*	—	1,340	(1,184)	—	(1,184)
TOTAL		**(12,239)**	**—**	**12,265**	**(9,185)**	**26**	**(9,185)**

Analysis of sensitivity to exchange rate risk

At December 31, 2015, 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.

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 at December 31, 2015 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 result in an approximately €10 million increase (decrease) in the cost of debt.

31.4 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, 2015, Numericable-SFR’s cash position more than covered the repayment schedules of its current financial debt:

	Available amounts
	(in € millions)
Cash	211
Cash equivalents	144
Available amounts for drawing from lines of credit	675
CASH POSITION	**1,030**

31 Financial instruments (Continued)

Rating of Numericable-SFR

The Group's current rating is as follows:

Rating agency	Rating
Standard & Poor's	B+ (negative outlook)
Moody's	B1 (stable outlook)

31.5 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

Numericable-SFR 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.

32 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. and the entities that it consolidates;
- All the members of the Executive Committee of Numericable-SFR.

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.

32.1 Senior executive compensation

The Group's senior executives include members of Numericable-SFR'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.

	December 31, 2015	December 31, 2014 restated
	(in € millions)	
Short-term benefits[a]	5	5
Post-employment benefits[b]	0	0
Share-based payment[c]	8	5
EXECUTIVE COMPENSATION	**13**	**10**

[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.

32 Related party transactions (Continued)

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

32.2 Associates and joint ventures

Associates and joint ventures, measured through equity, are presented in Note *17 – Investments in associates*.

The main transactions with equity associates relate to:

- La Poste Telecom as part of its telephony activities,
- Numergy as part of "cloud computing" services,
- Synerail as part of the GSM-R public-private partnership,
- Foncière Rimbaud (1 to 4) with the Vinci Group as part of building SFR SA's headquarters.

	Associates		Joint ventures	
	2015	2014	2015	2014
	(in € millions)			
Assets	**64**	**68**	**20**	**30**
Non-current assets	—	—	17	30
Current assets	64	68	3	0
Liabilities	**86**	**80**	**—**	**—**
Current liabilities	86	17	—	—
Non-current liabilities	—	63	—	—
Net income (expense)	**69**	**4**	**4**	**0**
Operating income	99	4	3	0
Operating expenses	(31)	(0)	—	—
Net financial income (expense)	1	—	1	—
Off-balance sheet commitments	**48**	**47**	**91**	**95**
Operating	—	—	—	—
Financial	48	47	71	60
Pledges	—	—	21	34

32.3 Shareholders

Transactions with Vivendi and its subsidiaries

Vivendi sold its shares in the Numericable-SFR Group's capital on May 6, 2015. Excluding the agreements presented in Note *4.1 – Memorandum of Understanding signed with Vivendi on February 28, 2015*, the transactions with Vivendi and its subsidiaries until the sale date were immaterial.

Transactions with subsidiaries of Altice N.V.

In 2015, the main transactions with Altice N.V. subsidiaries were as follows:

	December 31, 2015	December 31, 2014
	(in € millions)	
Total income	21	15
Total expenses	(47)	(11)

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

- Altice Luxembourg S.A.: purchase of services;
- Coditel Brabant, Outremer Telecom, Cabovisé o, Hot, Portugal Telecom: telecommunication services;

32 Related party transactions (Continued)

- Auberimmo: reinvoicing of rents;
- MCS, Sport TV: televisual royalties;
- Altice Management Europe: customer services.

33 Commitments and contractual obligations

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

33.1 Commitments relating to bonds and term loans arranged in May 2014, July and October 2015

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.

As part of these various loans, established under the same financial documentation, a certain number of Group subsidiaries (Numericable-SFR, SFR, Ypso France, Ypso Holding, Altice B2B France, NC Numericable, Numericable US LLC and 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 Numericable-SFR), the Group would have to offer to repay its debt for an amount equal to 101% of the amount outstanding on that debt.

Bond issues 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 (4.0 for total debt and 3.25 for bonds);
- 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.

33.2 Commitments assumed by Numericable-SFR towards the French Competition Authority under its concentration operation and the monitoring of these commitments in 2015

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

On January 22, 2015, the Competition Authority independently began an inquiry to examine the terms under which Numericable-SFR is carrying out its commitment to sell mobile services from Outremer Télécom (Only) to Réunion and Mayotte.

Furthermore, and following a complaint from Bouygues Telecom, the Competition Authority officially opened an inquiry on October 12, 2015 to examine the terms under which Numericable-SFR performs its commitments relating to the joint investment agreement entered into with Bouygues Telecom to roll out fiber optics in very densely populated areas.

33 Commitments and contractual obligations (Continued)

These two inquiries in no way prejudice any future measures that could be taken by the Competition Authority.

33.3 Commitments relating to assets (excluding network sharing)

The amount of the contractual commitments to acquire intangible assets and property, plant and equipment amount to €674 million as of December 31, 2015. The amount includes commitments related to the use of telecommunications systems.

The commitment schedule is as follows:

		Maturity			
	Minimum future payments - 2015	**Less than one year**	**Two to five years**	**More than five years**	**2014**
			(in € millions)		
Commitments relating to Delegated Public Services	180	18	39	123	179
Commitments relating to Less Dense Areas (ZMD)[(a)]	80	12	49	19	72
Other investments	414	400	14	—	383
TOTAL NET INVESTMENT COMMITMENTS	**674**	**430**	**102**	**143**	**634**

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

33.4 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 706 sites were rolled out by 2015. SFR estimates that as of late December, this agreement corresponds to approximately €1,796 million in commitments given, and approximately €2,190 million in commitments received, for a net commitment of approximately €394 million, covering the entire long-term agreement.

33 Commitments and contractual obligations (Continued)

33.5 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).

33.6 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. The result of this investigation is as yet unknown.

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;

33 Commitments and contractual obligations (Continued)

– 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.

(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.

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 obligation on daily trains.

33.7 Commitments relating to operating leases

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

	Minimum future payments - 2015	Maturity			2014
		Less than one year	Two to five years	More than five years	
		(in € millions)			
Land	—	—	—	—	—
Buildings	1,855	284	868	703	1,781
o/w administrative premises	*464*	*53*	*194*	*216*	*587*
o/w technical premises	*1,390*	*230*	*673*	*486*	*1,193*
o/w other	*2*	*0*	*1*	*0*	*2*
Other	137	42	62	33	150
Leases	**1,991**	**326**	**930**	**736**	**1,931**
Land	—	—	—	—	—
Buildings	(316)	(53)	(137)	(125)	(277)
o/w administrative premises	—	—	—	—	—
o/w technical premises	*(316)*	*(53)*	*(137)*	*(125)*	*(277)*
o/w other	—	—	—	—	—
Sublets	**(316)**	**(53)**	**(137)**	**(125)**	**(277)**
NET	**1,676**	**272**	**793**	**611**	**1,654**

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

33 Commitments and contractual obligations (Continued)

33.8 Commitment relating to long-term contracts

Commitments relating to long-term contracts involve mainly telecommunication network maintenance contracts.

	Minimum future payments - 2015	Maturity			2014
		Less than one year	Two to five years	More than five years	
			(in € millions)		
Commitments given	149	76	57	16	223
Commitments received	(114)	(17)	(49)	(48)	(142)
NET	**35**	**59**	**8**	**(32)**	**81**

33.9. Other commitments

	2015	Maturity			2014
		Less than one year	Two to five years	More than five years	
			(in € millions)		
Bank security guarantee GSM-R[a]	60	33	—	27	52
Bank guarantees GSM-R[a]	47	35	11	1	51
Other bank security deposits and guarantees[b]	45	7	19	20	81
Commitments to purchase securities[c]	16	—	5	10	16
Pledges[d]	21	—	1	21	39
COMMITMENTS GIVEN	**190**	**75**	**36**	**79**	**239**
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 €16 million in guarantees given as part of the tax audits underway at NC Numericable.

(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 debt requirements.

34 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.

34 Litigation (Continued)

34.1 Tax disputes

34.1.1 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.

The proposed assessments have been provisioned in the financial statements as of December 31, 2015 in the amount of €40.5 million.

34.1.2 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. It should be noted that, under the agreement signed on February 27, 2015 by Vivendi, Altice France and Numericable-SFR, Vivendi agreed to repay to SFR, if applicable, any taxes and levies charged to SFR for fiscal year 2011, which SFR had already paid to Vivendi at the time, subject to a maximum €711 million, if the 2011 merger of SFR and VTI is ruled invalid for tax purposes.

SFR believes it has strong legal grounds to defend the merger.

At the same time, an accounting audit of the years 2012 and 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, recognized a provision of €59.5 million at December 31, 2015.

34.2 Civil and commercial disputes

34.2.1 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

34 Litigation (Continued)

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 Appeals on February 20, 2014. The Paris Court of Appeals rendered its judgment on June 19, 2014, dismissing SFR's appeal (the judgment was appealed to the Court of Cassation 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 Appeals 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 hearing on the merits of the case was held on December 10, 2015. The Court of Appeals will hand down its ruling on March 17, 2016. As a result of the French Competition Authority's decision of December 13, 2012, Bouygues Telecom, OMEA 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 closed 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 (€67.9 million) and El Telecom (€28.6 million), SFR applied for stay on a ruling pending the decision of the Paris Court of Appeals, and obtained it.

Claim by Mundio Mobile against SFR

Mundio Mobile, an MVNO on the SFR network, brought a claim in the form of a filing against SFR on November 5, 2014 in the Paris Commercial Court. Mundio Mobile is claiming €63.6 million in damages from SFR. Mundio Mobile accuses SFR of unfair practices under the MVNO contract (by launching the offer of its former subsidiary Buzz Mobile). Mundio is also challenging certain aspects of the contract including its pricing terms.

Complaint against Orange filed with the French Competition Authority (NRA ZO)

On December 9, 2009 SFR and SFR Collectivités filed a complaint with the French Competition Authority against Orange for unfair practices. SFR withdrew its action on October 1, 2015.

As part of this complaint, on June 18, 2013 SFR sued Orange in the Paris Commercial Court (NRA ZO) for damages. SFR is seeking €50 million in damages subject to adjustment from Orange.

SFR's lawsuit and complaint against Orange in the Paris Commercial Court (call termination – call origination)

On February 22, 2010, SFR sued Orange demanding that it cancel the price for Orange call origination for the period 2006-2007 and replace it with a lower rate of 2% for 2006 and 15% for 2007. On June 25, 2013 SFR had all its requests dismissed. On July 25, 2013, SFR appealed the Commercial Court ruling. On December 4, 2015, the Court of Appeals dismissed SFR's claim.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom 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.

34 Litigation (Continued)

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 is claiming €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.

In a ruling on November 13, 2013 the Court awarded SRR and SFR a postponement until the Competition Authority makes a decision, or until the Senior Justice of the Court of Appeals orders the postponement of the execution of the Competition Authority's decision. The proceedings have not resumed to date even though the decision of the Senior Justice of the Court of Appeals was handed down on July 13, 2014.

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. To date, the merits of the case have not yet been heard and various procedural incidents have been raised, on which a judgment is awaited.

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.

At the same time, SFR filed suit against Orange in the Commercial Court and is seeking €512 million 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.

34 Litigation (Continued)

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 August 11, 2014, SFR also petitioned the District Court enforcement judge, who rendered his decision on May 18, 2015 by ordering SFR to pay €600,000 (assessment of penalty for 118 abusive overflows).

SFR v. 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 filed an emergency motion against SFR with the Senior Justice of the Paris Court of Appeals to suspend the provisional enforcement. This motion was denied by the Senior Justice on July 4, 2014.

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.

SFR v. Orange (non-unbundled areas)

On November 26, 2012, SFR filed a complaint with the French Competition Authority for abuse of dominant position in the retail market for high-speed Internet access in non-unbundled areas. On October 1, 2015 SFR withdrew its petition.

Orange v. 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.

The Competition Authority ruled that "*no serious and immediate harm to the general economy, the sector, consumers or the plaintiff, can be described based on the section of the agreement relating to network sharing or from the 4G roaming capability associated with it*."

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

The Court of Appeals upheld this decision on January 29, 2015. Orange is now appealing the matter to the French Supreme Court.

34 Litigation (Continued)

Claim by Bouygues Telecom against Numericable, Completel and NC Numericable

In late October 2013, Numericable, Completel and NC Numericable 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. Bouygues Telecom is accusing NC Numericable and Completel of abusive practices and contractual faults, and is seeking nullification of certain provisions of the contract and indemnification of €79 million. The case was postponed until March 15, 2016 for designation of the reporting judge.

34.2.2 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 harm inflicted. The Paris District Court ruled that the clauses were unfair.

Free v. 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, which is expected in March 2016.

SFR v. Iliad, Free and Free mobile: unfair competition by disparagement

In June 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.

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. On June 18, 2014, the Court of Cassation upheld the decision of the Toulouse Court of Appeals (which went against SFR) and dismissed the appeal against the decision of the Poitiers Court of Appeals.

34 Litigation (Continued)

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. SFR, after receiving four adverse judgments by the Court of Cassation regarding the status of branch manager, was recently successful in various Courts of Appeals. Regarding the requalification of employment contracts and sales contracts in these disputes, despite rare exceptions, SFR received favorable judgments.

Free v. 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.

Familles Rurales v. 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

34.2.3 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 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 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.

34 Litigation (Continued)

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, 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, 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 Numericable by Orange under the terms of its general technical and commercial offer, published on September 15, 2008. 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 Numericable pay damages of €50 million. In a ruling dated June 20, 2014, the Paris Court of Appeals dismissed 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." The Hauts-de-Seine General Council demanded the payment of penalties totaling approximately €45 million for delays, advanced by the sole delegator and disputed by Sequalum, in the deployment of fiber optics and connections to buildings.

The demand for payment was contested in a motion filed with the Administrative Court of Cergy Pontoise on September 3, 2014. Its enforcement and the payment of the sums requested have been suspended pending a ruling on the merits.

On May 7, 2015, the General Council sent a second demand for an order for payment in the amount of €51.6 million, orders disputed by Sequalum on July 11, 2015.

34 Litigation (Continued)

Sequalum claims that the termination was unlawful and is continuing to perform the contract, subject to any demands that the delegator may impose. Should the competent courts confirm this interpretation, Sequalum may have 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). In turn, the department of Hauts-de-Seine will receive 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.

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 provisioned given the situation.

Numericable-SFR states that it also has its own fiber optics in the department of Hauts-de-Seine to service its customers. Furthermore, the revenues generated by DSP 92 accounts for a relatively immaterial percentage of Group revenues.

Operations, inspections and seizures

By Order of March 25, 2015, the Nanterre District Court authorized the rapporteur-general of the Competition Authority to conduct inspections and seizures in order to find proof of actions prohibited by Article L 430-8-II of the Commercial Code and any evidence of such actions before the authorization of the concentration of Numericable-SFR, Omea Telecom and SFR. On April 9, 2015, Numericable-SFR appealed the authorization of the District Court of Nanterre and filed an appeal against the inspection and seizure operations with the Senior Justice of the Court of Appeals of Versailles. The hearing date is scheduled for May 26, 2016. It is understood that the opening of such an inquiry by the Competition Authority does not in any way prejudice the results that may be issued by the Authority.

35 List of consolidated entities

Entity	Country Registered office	Group interest 2015	Group interest 2014	Method[(1)] 2015	Method[(1)] 2014
Numericable SFR	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
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	France	100%	100%	FC	FC
Eure et Loir THD SAS	France	100%	100%	FC	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	Netherlands	100%	100%	FC	FC
LD Communications Italie Srl	Italiy	100%	100%	FC	FC

35 List of consolidated entities (Continued)

Entity	Country Registered office	Group interest		Method(1)	
		2015	2014	2015	2014
LD Communications Suisse SA	Switzerland	100%	100%	FC	FC
Loiret THD SAS	France	100%	100%	FC	FC
LTBR SA	France	100%	100%	FC	FC
LTI Telecom SAS	France	100%	100%	FC	FC
MACS THD SAS	France	100%	100%	FC	FC
Numericable US LLC	United States	100%	100%	FC	FC
Numericable US SAS	France	100%	100%	FC	FC
Oise Numérique SAS	France	100%	100%	FC	FC
Omea Holding SAS	France	100%	100%	FC	FC
Omea Telecom SAS	France	100%	100%	FC	FC
Omer Telecom LTD	United Kingdom	100%	100%	FC	FC
Opalys Telecom SAS	France	100%	100%	FC	FC
Pays Voironnais Network Part. SAS	France	100%	100%	FC	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
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	France	100%	100%	FC	FC
SHD SA	France	100%	100%	FC	FC
SID SCS	France	100%	100%	FC	FC
SIG 50 SA	France	100%	100%	FC	FC
SRR SCS	France	100%	100%	FC	FC
SFR Business Solutions SAS (ex Telindus France)	France	100%	100%	FC	FC
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	Luxembourg	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	France	50%	50%	EM	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

35 List of consolidated entities (Continued)

Entity	Country Registered office	Group interest		Method[1]	
		2015	2014	2015	2014
La Poste Telecom SAS	France	49%	49%	EM	EM
Numergy SAS	France	46,70%	46,70%	EM	EM
Synerail Construction SAS	France	40%	40%	EM	EM
VOD Factory SAS	France	40%	40%	EM	EM
Moselle Telecom SAS	France	39,20%	39,20%	FC	FC
Fischer Telecom SAS	France	34%	34%	EM	EM
Synerail SAS	France	30%	30%	EM	EM
Buyster SA	France	25,20%	25,20%	EM	EM
Irisé SAS	France	25%	25%	FC	FC
Ocealis SAS	France	25%	25%	EM	EM
AF 83 SAS	France	24,60%	24,60%	EM	EM
Sud Partner SARL	France	24%	24%	EM	EM
Sofialys SAS	France	23,80%	23,80%	EM	EM
Idenum SAS	France	21%	21%	EM	EM
2SIP SAS	France	100%	100%	FC	FC
2SID SAS[2]	France	—	100%	—	FC
Alsace Connexia Participation SAS[2]	France	—	100%	—	FC
Coditel Debt S.à.r.l[2]	Luxembourg	—	100%	—	FC
Groupe Telindus France SA[2]	France	—	100%	—	FC
Invescom SA[2]	France	—	100%	—	FC
Numericable Finance & Co. SCA[3]	Luxembourg	—	100%	—	FC
Numericable Finance S.à.r.l[3]	Luxembourg	—	100%	—	FC
Stichting Ypso 1[3]	Netherlands	—	100%	—	FC
Stichting Ypso 2[3]	Netherlands	—	100%	—	FC
Webwag SAS[3]	France	—	27%	—	EM

[1] *FC = Full Consolidation; EM = Equity Method; JV = Interest in Joint Venture*

[2] *Companies absorbed in 2015*

[3] *Companies liquidated in 2015*

36 Entity consolidating the financial statements

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

37 Subsequent events

Change in governance

On January 7, 2016, the Board of Directors recorded the resignation of Eric Denoyer as Chief Executive Officer of Numericable-SFR. He joins the Company's Board of Directors and Nominations and Compensation Committee. On March 11, 2016, the Board of Directors appointed Michel Paulin as Chief Executive Officer of Numericable-SFR.

Takeover of Numergy

On January 22, 2016, the Group finalized the acquisitions of the interests held by Caisse des Dépôts (33%) (acting in its own name and on behalf of the government under the Future Investments Program) and Atos (20%) in Numergy. In this way, the Group is perpetuating a company in which SFR has invested since its beginning. 50% of the price of these ownership interests was paid on January 22, 2016. The remaining 50% will be due January 22, 2017. In this context, the Group established a first-demand guarantee maturing in more than one year in order to cover the amount still due to Caisse des Dépôts and Atos/Bull.

37 Subsequent events (Continued)

Formed in September 2012, Numergy is a company that specializes in building and operating French and European Cloud computing infrastructures. Numergy was designed to become a true "digital energy power plant" serving the economy and growth. Its mission is to provide businesses (very small, small, medium, and intermediate businesses and major accounts) and public organizations with secure, high-performance and competitive IT resources. The SFR offer of Cloud computing services for businesses, a major component of the Group's strategy, is therefore strengthened. In effect, the Numergy offer and technology, which complement the offer of SFR and the Altice Group, represent an opportunity to accelerate the deployment of the Cloud in France and in Europe.

Agreement of the Kosc consortium by the Competition Authority for the acquisition of the Completel DSL network

On December 22, 2015, the Competition Authority approved the KOSC consortium for the acquisition of the DSL network of Completel, which is comprised of the companies OVH, Cofip, Kapix and Styx. On October 30, 2014, the Competition Authority had in fact authorized the purchase of SFR by Numericable, a subsidiary of the Altice Group, subject to certain commitments. In this context, Numericable had, among other things, agreed to sell the Completel DSL network in order to eliminate any risk of hurting competition in the markets for business-specific fixed-line telecommunications services.

This sale will mean that Numericable-SFR can honor the last of its structural commitments required by the ADLC (after the sale of the mobile telecommunications operations of Outremer Telecom in Réunion and Mayotte) and is expected to materialize in the first half of 2016.

Considering the non-materiality of the asset sold, it has not been presented as "assets held for sale" under IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

Swaps trading

On February 16, 2016, the Group signed an interest rate swap agreement with JP Morgan Chase with the following features:

- Nominal: €4.0 billion
- Variable rate paid by the bank: 3-month EURIBOR
- Rate paid by the Group: (0.121%)
- Maturity: 7 years, but with a clause from the bank to advance the remaining cash flows at the end of 5 years.

The Group is continuing its strategy to hedge financial risks by converting approximately two-thirds of its variable rate borrowings into fixed rates. As a result, around 80% of the Group's long-term debt is fixed-rate.

38 Restated information

38.1 Consolidated statement of financial position

The consolidated statement of financial position as of December 31, 2014 has been restated:

- for the price adjustment related to the takeover of SFR and Virgin as described in Note 6—*Changes in scope* (€120 million reduction in "Goodwill" for SFR and €7 million for Virgin Mobile as an offsetting entry the "Other current financial assets" caption) in accordance with IFRS 3R;
- for the recognition of assets, liabilities and contingent liabilities in the context of the allocation of the acquisition price for SFR and Virgin Mobile as described in Note 6—*Changes in scope* in compliance with IFRS 3R;
- for several reclassifications as a result of the change in the presentation of the statement of financial position explained in Note 1.2—*Basis of preparation of financial information.* The

38 Restated information (Continued)

following table shows the reconciliation of the consolidated statement of income published at December 31, 2014 to the restated statement:

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
	((in € millions)			
Goodwill	12,935	(2,381)	—	10,554
Intangible assets	4,196	4,199	—	8,395
Property, plant and equipment	5,897	(254)	—	5,643
Investments in associates	130	(4)	—	126
Other non-current assets	1,049	—	(1,049)[1]	—
Non-current financial assets	—	—	1,003[1]	1,003
Deferred tax assets	634	(133)	—	501
Other non-current assets	—	—	50[1]	50
Non-current assets	**24,840**	**1,426**	**4**	**26,270**
Inventories	256	—	—	256
Trade and other receivables	2,812	2	(82)[2]	2,732
Income tax receivable	252	—	—	252
Cash and cash equivalents	546	—	74[2]	620
Current financial assets	8	127	—	135
Current assets	**3,874**	**129**	**(8)**	**3,995**
TOTAL ASSETS	**28,714**	**1,555**	**(5)**	**30,265**

[1] *Non-current operating assets (other than financial) reclassified under a new dedicated caption titled "Other non-current assets").*

38 Restated information (Continued)

2 Reclassification of notes receivables in cash and cash-equivalent receivables (€77 million) and current financial liabilities (-€5 million).

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
		(in € millions)		
Consolidated equity	**7,975**	**(13)**	**—**	**7,962**
Non-current financial liabilities	13,349	—	(13,349)[1]	—
Long-term term borrowings and financial liabilities	—	—	12,539[1]	12,539
Other non-current financial liabilities	—	—	810[1]	810
Non-current provisions	327	308	—	635
Deferred tax liabilities	43	1,251	—	1,294
Other non-current liabilities	583	(1)	—	582
Non-current liabilities	**14,302**	**1,558**	**—**	**15,860**
Current financial liabilities	283	—	(283)[1]	—
Short-term term borrowings and financial liabilities	—	—	179[1]	179
Other current financial liabilities	—	—	99	99
Trade payables and other current liabilities	5,621	—	(5,621)[2]	—
Trade payables and other liabilities	—	(3)	5,014[2]	5,011
Current income tax liabilities	217	—	—	217
Current provisions	317	13	—	330
Other current liabilities	—	(1)	607[2]	606
Current liabilities	**6,438**	**10**	**(5)**	**6,443**
TOTAL EQUITY & LIABILITIES	**28,714**	**1,555**	**(5)**	**30,265**

[1] Financial liabilities reclassified into two separate categories: i) borrowing and financial debt and ii) other financial liabilities. The breakdown of the two captions is presented in Note 24—Financial liabilities.

[2] Reclassification of trade payables and other current liabilities between trade and other payables and current liabilities. Other current liabilities as of December 31, 2014 include the short-term portion of deferred income (€591 million).

38 Restated information (Continued)

38.2 Consolidated statement of income

The consolidated statement of income as of December 31, 2014 was restated following the change in presentation explained in Note *1.2—Basis of preparation financial information*. The following table shows the reconciliation of the consolidated statement of income published at December 31, 2014 to the restated statement:

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
		(in € millions)		
Revenue	**2,170**	**—**	**—**	**2,170**
Purchasing and subcontracting	—	2	(632)[1]	(630)
Other operating expenses	(32)	—	(639)[1/6]	(670)
Staff costs and employee benefit expenses	(261)	—	91[2]	(170)
Depreciation, amortization and impairment	(461)	(35)	—	(496)
Other non-recurring income and expenses	—	—	(112)[3]	(112)
Purchases and subcontracting services	(1,331)	—	1,331[1]	—
Taxes and duties	(59)	—	59[1/6]	—
Provisions	(16)	—	16[4]	—
Other operating income	98	—	(98)[2]	—
Operating income	**108**	**(33)**	**16**	**91**
Financial income	15	—	—	15
Cost of gross financial debt	(439)	—	(65)[5]	(504)
Other financial expenses	(176)	—	65[5]	(111)
Net financial income (expense)	**(600)**	**—**	**0**	**(600)**
Share in net income (loss) of associates	4	—	—	4
Income before taxes	**(488)**	**(33)**	**16**	**(505)**
Income tax income (expense)	313	21	(16)[6]	317
Net income (loss) from continuing operations	**(175)**	**(13)**	**(0)**	**(188)**
Net income (loss) from discontinued operations	—	—	—	—
NET INCOME (LOSS)	**(175)**	**(13)**	**(0)**	**(188)**
• Attributable to owners of the company	(176)	(13)	(0)	(188)
• Attributable to non-controlling interests	0	—	—	0

[1] *The purchasing and outsourcing caption combines the direct costs related to sales (TV, telephony, DATA, etc.) and outsourcing costs. Other operating expenses include the following costs: Customer service, Marketing, Network, Selling, general and administrative expenses, Taxes and levies. These costs were previously combined for the most part under the "External purchasing" and "Taxes and levies" captions.*

[2] *Personnel expense is now shown net of capitalized payroll, previously presented under "Other operating expenses" in the published financial statements They include the provisions for risks and losses related to personnel previously included on the "Provisions" line.*

[3] *This category combines Group income/expenses considered non-recurrent.*

[4] *Provisions are now broken down into new cost expense captions.*

[5] *The cost of gross debt corresponds to the interest expense on the Group's Senior Facility Agreement and now includes the amortization of borrowing expense (using the effective interest method), exchange rate gains/losses on the Senior Facility, and the fair value impact of derivatives related to the Senior Facility. These items had previously been included in other financial expenses.*

[6] *The amount of the CVAE tax for December 2014 was reclassified on the line "Tax income (expenses)".*

38 Restated information (Continued)

38.3 Consolidated statement of consolidated cash flows

The consolidated statement of cash flows as of December 31, 2014 was restated following the change in presentation explained in Note *1.2—Basis of preparation financial information*. The following table shows the reconciliation of the published statement as of December 31, 2014 to the restated statement:

	December 31, 2014 published	IFRS 3R Adjustments	Reclassification	December 31, 2014 restated
		(in € millions)		
Net income attributable to owners of the company	**(176)**	**(13)**	**—**	**(188)**
Adjustments:				
Non-controlling interests	0	—	—	0
Depreciation, amortization and provisions	466	35	—	500
Share of net income (loss) of associates	(4)	—	—	(4)
Gain (loss) on asset disposals	(16)	—	33	16
Net financial income (expense)	—	—	600[1]	600
Income tax expense (income)	(313)	(21)	16	(317)
Cost of gross financial debt	439	—	(439)[1]	—
Foreign currency differences, net	17	—	(17)[1]	—
Other non-cash items	54	—	(54)[1]	0
Income tax paid	(57)	—	(16)	(74)
Change in working capital requirement	725	(2)	(365)[1]	358
Net cash flow from operating activities	**1,135**	**(0)**	**(242)**	**893**
Acquisition of property, plant and equipment and intangible assets	(559)	—	(32)[2]	(591)
Acquisition of consolidated entities, net of cash acquired	(13,206)	—	—	(13,206)
Acquisition of held-for-sale financial assets	(3)	—	—	(3)
Disposals of property, plant and equipment and intangible assets	8	—	—	8
Change in working capital related to property, plant and equipment and intangible asset	—	—	160	160
Subsidies and grants received	2	—	(2)[2]	—
Net cash flow used by investing activities	**(13,758)**	**—**	**126**	**(13,632)**
Share repurchases	4,721	—	—	4,721
Issuance of debt	11,452	—	(48)[2/3]	11,403
Repayment of debt	(2,668)	—	30[3]	(2,638)
Interest paid	(436)	—	173[1]	(263)
Other cash flows from financing activities	—	—	(76)[1/3]	(76)
Net cash flow from (used by) financing activities	**13,068**	**—**	**79**	**13,147**
Adjustments with no impact on cash	—	—	74[4]	74
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**445**	**(0)**	**37**	**482**
Net cash and cash equivalents at beginning of period	101	0	—	101
Net cash and cash equivalents at end of period	546	0	37[3]	583

38 Restated information (Continued)

[1] *Adjustments now include all financial income whereas previously only the cost of gross debt, the change in the fair value of derivative instruments and foreign currency translations were neutralized. As a result of these reclassifications:*

- *"Other non-monetary items" represents the non-cash expense of stock option plans in the amount of €5 million, minus a gain on a financial sale in the same amount;*
- *the "Interest paid" caption presents the cash impact of the interest on the Senior Facilities;*
- *the "Other cash flows from financing activities" caption primarily includes the cost of extinguishing debt repaid in May 2014 in the amount of €89 million and the change in other financial liabilities excluding the Senior Facilities.*

[2] *Asset acquisitions now include acquisitions financed by finance lease in the amount of €34 million net of subsidies received as an offset to a change in other financial liabilities.*

[3] *The "Loans taken out" and "Repayment of loans" captions correspond only to the Senior Facilities, as changes in other financial liabilities are now posted to "Other flows from financing activities," with the exception of bank overdrafts now recognized on the line "Net cash and cash equivalents."*

[4] *This amount corresponds to the reclassification at opening of bank overdrafts for -€4 million, notes receivable for €82 million and deposits for -€4 million.*

39 Condensed consolidated pro forma financial information

39.1 Condensed consolidated pro forma income statement for the twelve-month period ended December 31, 2014

	2014					
				Adjustments Pro forma		
	Numericable-SFR historical consolidated financial statements	SFR	Virgin	Amount	Note	Numericable-SFR pro forma financial information
			(in € millions)			
Revenue	2,170	9,047	366	(147)	39.2.a	11,436
Operating expenses	(2,062)	(8,501)	(359)	(39)	39.2.b	(10,961)
Operating income	108	546	7	(186)		475
Financial income (expense)	(600)	(178)	(2)	(4)	39.2.c	(783)
Income tax income (expense)	313	(170)	(2)	35	39.2.d	176
Share of net income (loss) of associates	4	(18)	—	—		(14)
NET INCOME (LOSS)	**(175)**	**181**	**3**	**(154)**		**(146)**
• *Attributable to owners of the company*	(176)	172	3	(154)	39.2.e	(155)
• *Attributable to non-controlling interests*	—	9	—	—	39.2.e	9

39.2 Notes to the condensed consolidated pro forma financial statements at December 31, 2014

Basis of preparation

The condensed consolidated pro forma financial information, which is required by IFRS 3R for acquisitions, was prepared in accordance with Article 222-2 of the AMF General Regulations and AMF Instruction 2007-05 relating to pro forma financial information.

It includes a condensed pro forma income statement for the twelve-month period ended December 31, 2014, designed to present the impact of the Acquisitions of the SFR Group (SFR SA, SIG 50 and their subsidiaries, including Telindus France, acquired by the SFR Group on April 30, 2014) and of the Virgin Mobile Group (Omer Telecom Limited and its subsidiaries) and the associated financing, as if the "Transactions" (Acquisitions, financing of Acquisitions and refinancing transactions connected with the acquisitions) had occurred on January 1, 2014.

The pro forma financial information is provided only by way of information and does not reflect the transactions or the financial position that Numericable-SFR would have reached if the Transactions

39 Condensed consolidated pro forma financial information (Continued)

had occurred on January 1, 2014. The pro forma financial information does not reflect Numericable-SFR's future operating results or its future financial position. It does not include the restructuring and/or consolidation costs that could be incurred following the Acquisitions, and which should not have a sustained impact on the Group.

The condensed consolidated pro forma financial information is based on estimates and assumptions that Numericable-SFR considers to be reasonable.

Only adjustments that can be documented and reliably estimated on the date that the condensed consolidated pro forma financial information is prepared are taken into account.

The change in the fair value of derivative financial instruments in the pro forma information was calculated on the basis of the market conditions and hedges existing in May 2014 when the Acquisitions were financed, which is why there are no pro forma adjustments in this respect.

The condensed consolidated pro forma financial information does not reflect any consolidation costs that could be incurred as a result of the Acquisitions. Non-recurring items that are directly attributable to the Transactions and that can be documented and reliably estimated are included in the pro forma adjustments.

Historical financial information

The condensed consolidated pro forma financial information should be read in conjunction with the Notes to these financial statements. It was prepared on the basis of:

- the Numericable-SFR consolidated financial statements at December 31, 2014;
- the combined financial statements of SFR S.A., SIG 50 S.A. and their subsidiaries for the eleven-month period ended November 30, 2014 (which have not been audited or reviewed).
- the Virgin Mobile consolidated financial information for the eleven-month period ended November 30, 2014. As Virgin Mobile's previous fiscal year ended on March 31, 2014, the financial information for the eleven-month period ended November 30, 2014 has been reconstituted from:
  - the consolidated financial statements as of March 31, 2014;
  - the consolidated financial information for the nine-month period ended December 31, 2013 (which has not been audited or reviewed);
  - the consolidated financial information for the eight-month period ended November 30, 2014 (which has not been audited or reviewed).

Intercompany transactions

Following the Acquisitions, all transactions between Numericable-SFR, the SFR Group and the Virgin Mobile Group are considered to be intragroup transactions. Accordingly, all transactions between Numericable-SFR, the SFR Group and the Virgin Mobile Group have been eliminated when preparing the pro forma financial information.

Pro forma adjustments

Unless otherwise indicated, the pro forma adjustments are determined before any tax impact.

(a) The pro forma adjustments to revenue reflect (i) the elimination of intercompany revenue generated between Numericable-SFR, SFR, Virgin Mobile and Telindus France totaling €222 million and (ii) the inclusion of Telindus France Group revenue for the four-month period from January 1, 2014 to April 30, 2014 in the amount of €75 million.

(b) The pro forma adjustments to operating expenses primarily include (i) the amortization and depreciation related to identifiable assets recognized in the context of the acquisition of SFR

39 Condensed consolidated pro forma financial information (Continued)

(customers, brands, network) for €303 million, and the cancellation of the amortization of the old Neuf Cegetel subscriber base for €66 million; (ii) the elimination of intra-group transactions between Numericable-SFR, SFR, Virgin Mobile and Telindus France in the amount of €204 million, (iii) the inclusion of Telindus France Group operating expenses for the four-month period from January 1, 2014 to April 30, 2014 in the amount of €77 million; (iv) the zero net negative impact related to the triggering of the customer acquisition costs as recorded in the Group historical financial statements as from fiscal year 2015 (€113 million capitalized costs—an additional amortization of €113 million). The harmonization of management rules has no material impact on the pro forma operating income presented at December 31, 2014 and, therefore, has not been restated, and (v) a positive impact of €72 million corresponding to the reclassification of the CVAE tax as a tax liability through income.

(c) The pro forma adjustments to financing expenses (additional expense of €4 million) include mainly:

- The additional interest, for the period January to May 2014, on the new financing raised by Numericable-SFR in May 2014 as part of the acquisitions, totaling €229 million (including the amortization of the cost of arranging new borrowings over their lifetime). The pro forma adjustments have been calculated on the basis of the borrowing terms obtained in May 2014 when financing the acquisitions;
- The cancellation of interest relating to Numericable-SFR's former Senior Facility which has been refinanced and was repaid early in May 2014. That interest represented €55 million for fiscal year 2014.
- The cancellation of interest on SFR's and Virgin's financial debts to their former shareholders which were paid off by Numericable-SFR on the completion of the Transactions. These financing expenses represented €170 million for fiscal year 2014.

(d) Tax income of €35 million has been reflected in the condensed consolidated pro forma income statement corresponding to (i) a €72 million expense related to the reclassification of the CVAE as tax liabilities through income and (ii) tax income of €108 million related to the pro forma adjustments impacting pre-tax income.

(e) None of these adjustments are considered to have an impact on non-controlling interests.

39.3 Pro forma revenue by segment

Pro forma revenue can be analyzed by operating segment as follows:

	December 31, 2014 pro forma
	(in € millions)
B2C	7,888
B2B	2,223
Wholesale	1,325
TOTAL	**11,436**

39 Condensed consolidated pro forma financial information (Continued)

39.4 Reconciliation of pro forma operating income to pro forma adjusted EBITDA

The following table shows the reconciliation of the pro forma operating income as published in the condensed consolidated pro forma income statement to the pro forma adjusted EBITDA:

	December 31, 2014 pro forma
	(in € millions)
Operating income	**475**
Depreciation, amortization and impairment	2,299
SFR and Virgin Mobile acquisition expenses[(a)]	61
Restructuring costs[(b)]	52
Other non-recurring costs[(c)]	216
Costs relating to stock option plans[(d)]	13
Accelerated depreciation of assets[(e)]	54
Other income and expense items	43
ADJUSTED EBITDA	**3,213**

(a) Costs related to the acquisition of SFR and Virgin Mobile.

(b) These restructuring costs include settlement payments and other costs relating to workforce planning (*Gestion Prévisionnelle de l'Emploi et des Compétences/GPEC*).

(c) Include (i) costs relating to tax audits notified during the fiscal year as well as consulting fees relating to refinancing transactions by Numericable-SFR and (ii) the costs related to non-recurring disputes paid by the Group.

(d) Expenses related to IFRS 2.

(e) Additional impairment loss recognized when writing off assets.

The adjusted EBITDA is a financial indicator that is not defined in IFRS and excludes certain items that Numericable-SFR considers not relevant to its recurring operating activities or which are not cash. Numericable-SFR identified similar adjustments at SFR and Virgin based on the information provided by SFR and Virgin Mobile.

39.5 Reconciliation of published pro forma information to restated pro forma information

The following table explains the reconciliation of the condensed consolidated pro forma statement of income for the twelve-month period ended December 31, 2014 as published in the Group's 2014 Registration Document (hereinafter the "published pro forma financial information") to the condensed consolidated pro forma income statement for the twelve-month period ended December 31, 2015 as prepared in this note (hereinafter the "restated pro forma financial information"):

	2014		
	Pro forma financial information published	Adjustments	Pro forma financial information restated
		(in € millions)	
Revenue	11,436	—	11,436
Operating expenses	(10,795)	(166)[1]	(10,961)
Operating income	641	(166)[1]	475
Financial income (expense)	(783)	—	(783)
Income tax income (expense)	150	26[2]	176
Share of net income (loss) of associates	(14)	—	(14)
NET INCOME (LOSS)	**(6)**	**(140)**[2]	**(146)**
• *Attributable to owners of the company*	*(15)*	*(140)*	*(155)*
• *Attributable to non-controlling interests*	*9*	—	*9*

39 Condensed consolidated pro forma financial information (Continued)

[1] *The adjustments primarily include (i) a positive impact of €72 million corresponding to the reclassification of the CVAE as income tax liabilities (see Note 38 describing the impact of the 2015 change in presentation), (ii) a negative impact of €317 million corresponding to amortization related to identifiable assets recognized in the context of the SFR acquisition (brands, customers, network); and (iii) a positive impact of €66 million related to the cancellation of the amortization of the old Neuf Cegetel customer base (kept in the pro forma information as of December 31, 2014 pending SFR's PPA and fair value measurement of the customer base);*

[2] *Includes a negative impact of €72 million related to the reclassification of the CVAE as income tax liabilities and a positive impact of €98 million related to the tax impact on the adjustments to operating income listed above.*

40 Auditors' fees

The fees of the Numericable-SFR auditors and the members of their networks recognized as expenses in the Group consolidated financial statements at December 31, 2015 are presented in the table below:

	KPMG				Deloitte				Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Amount		%		Amount		%		Amount	
					(in € millions)					
Audit										
Numericable-SFR	0.3	0.2	17%	17%	0.3	0.2	13%	11%	0.6	0.5
Subsidiaries	1.0	0.5	54%	32%	1.1	0.6	48%	28%	2.1	1.0
Statutory audit fees, certification and auditing of the accounts	**1.3**	**0.7**	**70%**	**49%**	**1.5**	**0.8**	**61%**	**39%**	**2.8**	**1.5**
Numericable-SFR	0.5	0.7	26%	49%	0.3	0.9	14%	44%	0.8	1.6
Subsidiaries	0.1	0.0	3%	2%	0.1	—	6%	—	0.2	0.0
Other services related to the statutory audit	**0.5**	**0.7**	**30%**	**51%**	**0.5**	**0.9**	**19%**	**44%**	**1.0**	**1.6**
Subtotal	**1.9**	**1.4**	**100%**	**100%**	**1.9**	**1.7**	**80%**	**83%**	**3.8**	**3.1**
Other services										
Tax matters	—	—	—	—	0.5	0.4	20%	17%	0.5	0.4
Other	—	—	—	—	—	—	—	—	—	—
Subtotal	**0.0**	**0.0**	**0%**	**0%**	**0.5**	**0.4**	**20%**	**17%**	**0.5**	**0.4**
TOTAL	**1.9**	**1.4**	**100%**	**100%**	**2.4**	**2.1**	**100%**	**100%**	**4.3**	**3.5**

The subsidiaries listed in the table are fully consolidated companies.

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Printed by Donnelley Financial Solutions 592352