

**NOTICE TO THE HOLDERS OF**

**ALTICE EUROPE N.V.**

**Ordinary Shares**

**ALTICE LUXEMBOURG S.A.**

**\$2,900,000,000 7 <sup>3</sup>/<sub>4</sub>% Senior Notes due 2022**

**€2,075,000,000 7 <sup>1</sup>/<sub>4</sub>% Senior Notes due 2022**

**\$1,480,000,000 7 <sup>5</sup>/<sub>8</sub>% Senior Notes due 2025**

**\$750,000,000 6 <sup>1</sup>/<sub>4</sub>% Senior Notes due 2025**

**ALTICE FRANCE S.A.**

**\$4,000,000,000 6% Senior Secured Notes due 2022**

**€1,000,000,000 5 <sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2022**

**\$1,375,000,000 6 <sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2024**

**€1,250,000,000 5 <sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2024**

**\$5,190,000,000 7 <sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2026**

**Dated July 17, 2018**

**This Notice amends and restates the notice previously delivered on July 16, 2018.**

July 16, 2018 – Altice France S.A. (the “**Company**”), has announced that it proposes to issue €1,000 million in aggregate principal amount of senior secured notes and \$1,750 million in aggregate principal amount of senior secured notes (the “**Proposed Financing**”) the proceeds of which will be used to finance the Refinancing Transactions (as defined herein).

The information contained in this Notice will, among other information, be disclosed in connection with the Proposed Financing.

This Notice may contain certain information that constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as “plan,” “expect,” “project,” “intend,” “believe,” “anticipate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. We disclaim any obligation to update or revise any forward-looking statements if circumstances or management’s estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

This Notice is for informational purposes only and does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or any other jurisdiction. The information contained in this Notice does not constitute a prospectus or any other offering document, nor does it constitute or form part of any invitation or offer to purchase, sell or subscribe for, or any solicitation of any such offer to purchase, sell or subscribe for, any securities of the Company or any of its affiliates nor shall such information be relied on for the commencing of any actions in relation to the securities of the Company or any of its affiliates.

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in this Notice refers to the Company and its subsidiaries.

## FORWARD LOOKING STATEMENTS

*This Notice contains “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 this Notice, 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 this Notice.*

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 July 16, 2018, 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 this Notice 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 this Notice 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 July 16, 2018.

The Group discloses important factors that could cause the Group's actual results to differ materially from its expectations in this Notice. 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's business, financial and other conditions, results of operations and the Company'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 this Notice. See "*Risk Factors*" along with sections of this Notice 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 this Notice to reflect any change in its expectations or any change in events, conditions or circumstances on which any forward looking statement contained in this Notice is based.

## CERTAIN DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in this Notice refers to the Company 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*”.

“2018 Incremental Term Loan Agreement”	has the meaning ascribed to such term in the section entitled “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“2018 Term Loan”	has the meaning ascribed to such term in the section entitled “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“AENS”	Altice Entertainment News & Sport S.A., a public limited liability company ( <i>société anonyme</i> ) incorporated under the laws of Luxembourg, and a subsidiary of Altice TV.
“AENS Contract Renegotiation”	has the meaning ascribed to such term in “ <i>Certain Relationships and Related Party Transactions—Transactions with Altice TV.</i> ”
“Altice B2B France”	Altice B2B France S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> registered under sole identification number 499 662 757 RCS Paris.
“Altice Blue Two”	Altice Blue Two S.A.S., a private limited liability company ( <i>société par actions simplifiée</i> ) organized under the laws of France.
“Altice Customer Services”	Altice Customer Services S.à r.l., a private limited liability company ( <i>société à responsabilité limitée</i> ) organized under the laws of Luxembourg, which is the sole shareholder of Intelcia Group S.A., a public limited liability company ( <i>société anonyme</i> ) 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 ( <i>naamloze vennootschap</i> ) 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 “ <i>Summary—Recent Developments—Implementation of separation of Altice Europe and Altice USA.</i> ”
“Altice Lux”	Altice Luxembourg FR S.A. (formerly known as Altice France S.A. and Altice Six S.A.), a public limited liability company ( <i>société anonyme</i> ) 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 ( <i>société à responsabilité limitée</i> ) 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 ( <i>société à responsabilité limitée</i> ) 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 ( <i>société anonyme</i> ) 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”	<i>Autorité de Régulation des Communications Electroniques et des Postes</i> , the French regulatory authority for electronic and postal communications.
“Clearstream”	Clearstream Banking, <i>société anonyme</i> .
“Company”	Altice France S.A. (formerly known as SFR Group S.A. and Numericable-SFR S.A.), a public limited liability company ( <i>société anonyme</i> ) organized under the laws of France.
“Completel”	Completel S.A.S., a French corporation incorporated as a <i>société par actions simplifiée</i> 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 expected to be issued pursuant to the Proposed Financing.
“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 expected to be issued pursuant to the Proposed Financing.
“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 Company on May 8, 2014, which are expected to be redeemed in connection with the Refinancing Transactions as discussed in the section entitled “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“Existing 2022 Euro Notes”	the €1,000,000,000 aggregate principal amount of 5 <sup>3</sup> / <sub>8</sub> % Senior Secured Notes due 2022, issued by the Company on May 8, 2014, which are expected to be redeemed in connection with the Refinancing Transactions as discussed in the section entitled “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“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 “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“Existing 2022 Notes Redemption”	has the meaning ascribed to such term in the section entitled “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“Existing 2024 Dollar Notes”	the \$1,375,000,000 aggregate principal amount of 6 <sup>1</sup> / <sub>4</sub> % Senior Secured Notes due 2024, issued by the Company on May 8, 2014.
“Existing 2024 Euro Notes”	the €1,250,000,000 aggregate principal amount of 5 <sup>5</sup> / <sub>8</sub> % Senior Secured Notes due 2024, issued by the Company 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 <sup>3</sup> / <sub>8</sub> % Senior Secured Notes due 2026, issued by the Company 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, <i>inter alios</i> , the Company 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 “ <i>Description of Indebtedness—Term Loans</i> ” for further information.
“Existing Term Loans Agreement”	the term loan agreement, dated May 8, 2014, among, <i>inter alios</i> , the Company, 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 “ <i>Description of Indebtedness—Existing Term Loans</i> .”
“FOT Acquisition”	the intended acquisition of the FOT Business by the Company from Altice International expected to be consummated in the third quarter of 2018. See “ <i>Summary—Recent Developments—Acquisition of Altice Europe’s FOT Business</i> ” for more information.
“FOT Business”	Altice Europe’s operations in the French Overseas Territories.
“IFRS”	International Financial Reporting Standards as adopted by the European Union.
“Indenture”	the indenture, to be entered into on or about the date of completion of the Proposed Financing, governing the Notes, among, <i>inter alios</i> , the Company, the Trustee and the Security Agent.
“Intercreditor Agreement”	the intercreditor agreement dated on or about May 8, 2014, among, <i>inter alios</i> , the Company and the security agent party thereto, as



	amended, restated, supplemented or otherwise modified from time to time.
“NextRadioTV”	NextRadioTV S.A., with or without its subsidiaries as the content requires.
“Notes”	collectively, the Dollar Notes and the Euro Notes.
“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 <i>société par actions simplifiée</i> registered under sole identification number 801 376 161 RCS Paris.
“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 “ <i>Summary—The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities.</i> ”
“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 <i>société anonyme</i> registered under sole identification number 343 059 564 RCS Paris, and, as the context requires, its subsidiaries, which was acquired, indirectly by the Company pursuant to the SFR Acquisition, and the results of which were consolidated in the results of the Company from November 27, 2014.
“SFR Acquisition”	the acquisition by the Company 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 <i>société par actions simplifiée</i> 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 ( <i>société par actions simplifiée</i> ) 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 “ <i>Summary—Recent Developments—Disposition of Tower Assets.</i> ”

“SIG 50”	Société d’Investissement et de Gestion 50—SIG 50 S.A., a French corporation incorporated as a <i>société anonyme</i> , 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 “ <i>Summary—Recent Developments—Disposition of Tower Assets.</i> ”
“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 Company pursuant to the Virgin Mobile Acquisition.
“Virgin Mobile Acquisition”	the acquisition on December 5, 2014 by the Company 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 <i>société anonyme</i> 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 “ <i>Business of the Group—Material Contracts—Agreement to Sell International Wholesale Voice Carrier Business</i> ” for more information.
“Ypso Finance”	Ypso Finance S.à r.l, a private limited liability company ( <i>société à responsabilité limitée</i> ) 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 <i>société par actions simplifiée</i> registered under sole identification number 484 348 131 RCS Meaux.

## SUMMARY

*The summary below highlights information contained elsewhere in this Notice. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire Notice carefully, including the “Risk Factors” included elsewhere in this Notice. In this section, references to the “Group” are to the Company and its subsidiaries as of July 16, 2018.*

### **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 ARPU's. 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.

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 Company'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 Company 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 Company 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 Company 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 Company 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 Company. 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 Company 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 Company for the total amount of the consideration transferred.

The Company 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 Company 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.

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

### ***Proposed Financing***

We intend to use the proceeds of the Proposed Financing 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).

### ***2018 Term Loan***

Following July 16, 2018, certain of the Existing Term Loans Borrowers are expected to enter 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 are expected to lend 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 is expected to mature in 2026.

### ***Redemption of the Existing 2022 Notes***

The net proceeds from the 2018 Term Loan, together with the net proceeds from the Proposed Financing, are expected to be 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**”).

There can be no assurance that the 2018 Incremental Term Loan Agreement will be entered into, that the 2018 Term Loan will be extended or that the Existing 2022 Notes Redemption will occur as described above. The Proposed Financing is not conditioned on the successful completion of such transactions. If the 2018 Term Loan is not extended, we expect that only a portion of the Existing 2022 Notes (in an approximate amount corresponding to the aggregate principal amount of the Notes less accrued interest, premium payable and transaction fees and expenses) will be redeemed with the proceeds of the Proposed Financing.

The Proposed Financing, 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 Company 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 66 <sup>2</sup>/<sub>3</sub>% 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 66 <sup>2</sup>/<sub>3</sub>% 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. There can be no assurance that any of the RCF Amendments will become effective and the effectiveness of the RCF Amendments is not a condition to the Proposed Financing or the Refinancing Transactions.

## **The Company**

The Company 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 Company changed its corporate name from SFR Group S.A. to Altice France S.A. on February 9, 2018.

## **Principal Shareholders**

As of July 16, 2018, 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 Company's share capital and 100% of voting rights in the Company.

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.

## 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 “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” as well as the Company'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.

The Company 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 Company*” 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 Company as of and for the three month period ended March 31, 2018 for more information.

As a result of certain acquisitions and disposals that have been consummated by the Company 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 this Notice, 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) <sup>(1)(2)</sup>		2018 <sup>(1)(2)</sup>	
	(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 Company 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 Company as of and for the three month period ended March 31, 2018 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, 2017 (restated) <sup>(1)</sup>	As of March 31, 2018 <sup>(1)</sup>
	2015	2016	2017		
	(in millions of euros)				
<b>Assets</b>					
Goodwill.....	10,554	11,146	11,199	11,199	11,199
Intangible assets .....	7,983	7,600	6,666	6,519	6,401
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
<b>Total non-current assets.....</b>	<b>26,445</b>	<b>26,986</b>	<b>25,255</b>	<b>25,259</b>	<b>25,027</b>
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
<b>Total current assets .....</b>	<b>3,637</b>	<b>4,121</b>	<b>4,524</b>	<b>4,791</b>	<b>4,768</b>
<b>Total assets .....</b>	<b>30,081</b>	<b>31,107</b>	<b>29,779</b>	<b>30,050</b>	<b>29,795</b>
<b>Equity and liabilities</b>					
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)
<b>Equity attributable to the owners of the entity .....</b>	<b>4,256</b>	<b>3,609</b>	<b>2,927</b>	<b>3,108</b>	<b>2,904</b>
Non-controlling interests .....	12	(37)	(85)	(85)	(88)
<b>Consolidated equity .....</b>	<b>4,267</b>	<b>3,572</b>	<b>2,841</b>	<b>3,023</b>	<b>2,816</b>
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
<b>Non-current liabilities .....</b>	<b>18,981</b>	<b>19,568</b>	<b>18,414</b>	<b>18,503</b>	<b>18,291</b>
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
<b>Current liabilities.....</b>	<b>6,833</b>	<b>7,968</b>	<b>8,524</b>	<b>8,524</b>	<b>8,688</b>
<b>Total equity and liabilities.....</b>	<b>30,081</b>	<b>31,107</b>	<b>29,779</b>	<b>30,050</b>	<b>29,795</b>

- (1) The Company 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 Company as of and for the three month period ended March 31, 2018 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) <sup>(1)</sup>	2018 <sup>(1)</sup>
	(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)
<b>Total net increase (decrease) in cash and cash equivalents .....</b>	<b>(355)</b>	<b>171</b>	<b>(27)</b>	<b>(204)</b>	<b>(36)</b>

- (1) The Company 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 Company as of and for the three month period ended March 31, 2018 for more information.

### Adjusted EBITDA and *Pro Forma* Adjusted EBITDA of the Company

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

- (1) The Company 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 Company as of and for the three month period ended March 31, 2018 for more information.
- (2) The LTM financial information has been calculated by adding the Company's historical results for the three months ended March 31, 2018, to the Company'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 Company's historical results for the three months ended March 31, 2017. The Company'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 Company believes that this measure is useful to investors as it provides them with a measure that excludes certain items that the Company considers to be outside its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding the Company'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. 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) <sup>(1)</sup>	
				(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 <sup>(a)</sup> .....	80	167	673	16	0
Costs associated with stock option plans .....	9	4	2	0	—
Other non-recurring costs (revenue) <sup>(b)</sup> .....	263	278	314	90	220
<b>Adjusted EBITDA .....</b>	<b>3,860</b>	<b>3,838</b>	<b>3,714</b>	<b>776</b>	<b>888</b>

- (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 July 16, 2018)) 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 Company. 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 Company and AENS would be cancelled and replaced by a new revenue sharing contract with a lower guaranteed minimum amount payable by the Company. The Company 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 Company 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 Company 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 Company 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 this Notice 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, <sup>(2)(4)</sup>
	2015	2016	2017	2017 (restated) <sup>(1)</sup>	2018 <sup>(1)</sup>	2018
(in millions of euros)						
Capital Expenditures <sup>(3)</sup> .....	2,370	2,312	2,368	491	571	
FY 2017 Adjustment for IFRS 15 impact <sup>(2)</sup> .....			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 Company 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 Company as of and for the three month period ended March 31, 2018 for more information.
- (2) The LTM financial information has been calculated by adding the Company's historical results for the three months ended March 31, 2018 to the Company'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 Company's historical results for the three months ended March 31, 2017. The Company'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)					
<b>Homes Passed<sup>(1)</sup> .....</b>	<b>26,473</b>	<b>25,732</b>	<b>24,921</b>	<b>25,744</b>	<b>24,599</b>
Fiber/cable homes passed .....	7,711	9,316	10,951	9,634	11,239
<b>Fixed B2C</b>					
Fiber/cable unique customers <sup>(2)</sup> .....	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 <sup>(3)</sup> (€/month) .....	35.1	35.9	35.8	35.9	34.7
<b>Mobile B2C</b>					
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 <sup>(4)</sup> .....	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 Company 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 Company'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 Company'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 Company uses to evaluate how effectively the Company 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 Company's mobile networks.

### Certain As Adjusted Information

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

- (1) Reflects total financial debt of the Company 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" and "Capitalization."

## RISK FACTORS

*In this section, unless the context otherwise requires, the terms “Group”, “we”, “us” and “our” refers to the Company 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 Company will lead the deployment of the very-high speed network in privately-funded, low density areas, with the Company 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 July 16, 2018.

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 result 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 Company 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 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 Proposed Financing 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 July 16, 2018, 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.

***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 Company 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 Company 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 Company 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 Company’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 Company 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 Company’s adoption of IFRS 9 and its impact on the Company’s financial results, see Notes 1.3 and 19 to the unaudited condensed consolidated financial statements of the Company 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 Company as of and for the year ended December 31, 2017 and Note 1.3 to the unaudited condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2018.

## 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. 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.

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 UCITs 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 will be guaranteed by related parties 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 July 16, 2018).

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 Company's audited consolidated financial statements as of and for the year ended December 31, 2017).

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.

***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)*”.

## 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 Proposed Financing 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Indebtedness."

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)	
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	354	435
<b>Financial debt:</b>		
Notes <sup>(2)</sup> .....	—	2,420
2018 Term Loan <sup>(3)</sup> .....	—	2,028
Existing 2024 Notes and Existing 2026 Notes <sup>(4)</sup> .....	6,576	6,576
Existing 2022 Notes <sup>(5)</sup> .....	4,245	—
Existing Term Loans <sup>(6)</sup> .....	5,017	5,017
Existing Revolving Credit Facilities <sup>(7)</sup> .....	330	630
Finance Leases and Other liabilities <sup>(8)</sup> .....	132	150
<b>Total financial debt<sup>(9)</sup></b> .....	<u>16,300</u>	<u>16,821</u>
Exchange rate effect of derivative instruments <sup>(10)</sup> .....	(256)	(256)
<b>Total financial debt (after currency impact of derivative instruments)</b> .....	<u>16,044</u>	<u>16,565</u>

- (1) As adjusted amount includes adjustments relating to the acquisitions of the FOT Business, Altice Customers Services and Altice Technical Services France.
- (2) Reflects the aggregate principal amount of the Notes.
- (3) Reflects the aggregate principal amount of \$2,500 (€2,028 million equivalent) that is expected to be borrowed under the 2018 Term Loan following July 16, 2018. 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. The Proposed Financing is not conditioned on the entry into the 2018 Incremental Term Loan Agreement or the extension of the 2018 Term Loan. If the 2018 Term Loan is not extended, we expect that only a portion of the Existing 2022 Notes (in an approximate amount corresponding to the aggregate principal amount of the Notes less accrued interest, premium payable and transaction fees and expenses) will be redeemed with the proceeds of the Proposed Financing.
- (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—Acquisition 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 July 16, 2018 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 July 16, 2018, 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](http://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.

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](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 Débit, <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 Company will lead the deployment of the very-high speed network in privately-funded, low density areas, with the Company 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 Louvain, 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				
<b>High-speed subscriptions</b>					
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
<b>Total number of high-speed subscriptions.....</b>	<b>22.077</b>	<b>21.910</b>	<b>21.720</b>	<b>21.440</b>	<b>21.110</b>
<b>Very-high-speed subscriptions</b>					
of which very-high-speed $\geq 100$ Mbits/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 $\geq 30$ and $\leq 100$ Mbits/s* subscriptions.....	2.127	2.174	2.250	2.370	2.535
<b>Total number of very-high-speed subscriptions.....</b>	<b>5.843</b>	<b>6.146</b>	<b>6.511</b>	<b>6.988</b>	<b>7.495</b>
<b>Total number of high-speed and very-high-speed subscriptions on fixed-line networks .....</b>	<b>27.920</b>	<b>28.056</b>	<b>28.232</b>	<b>28.428</b>	<b>28.605</b>

\* including subscriptions in VDSL2 for which speed is  $\geq 30$  Mbits/s

<b>Annual changes in the total number of high and very-high-speed subscriptions</b>	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. 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)				
<b>Homes Passed<sup>(1)</sup></b> .....	<b>26,473</b>	<b>25,732</b>	<b>24,921</b>	<b>25,744</b>	<b>24,599</b>
Fiber/cable homes passed .....	7,711	9,316	10,951	9,634	11,239
<b>Fixed B2C</b>					
Fiber/cable unique customers <sup>(2)</sup> .....	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 <sup>(3)</sup> (€/month).....	35.1	35.9	35.8	35.9	34.7
<b>Mobile B2C</b>					
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 <sup>(4)</sup> .....	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 Company 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 Company'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 Company'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 Company uses to evaluate how effectively the Company 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 Company'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](http://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.

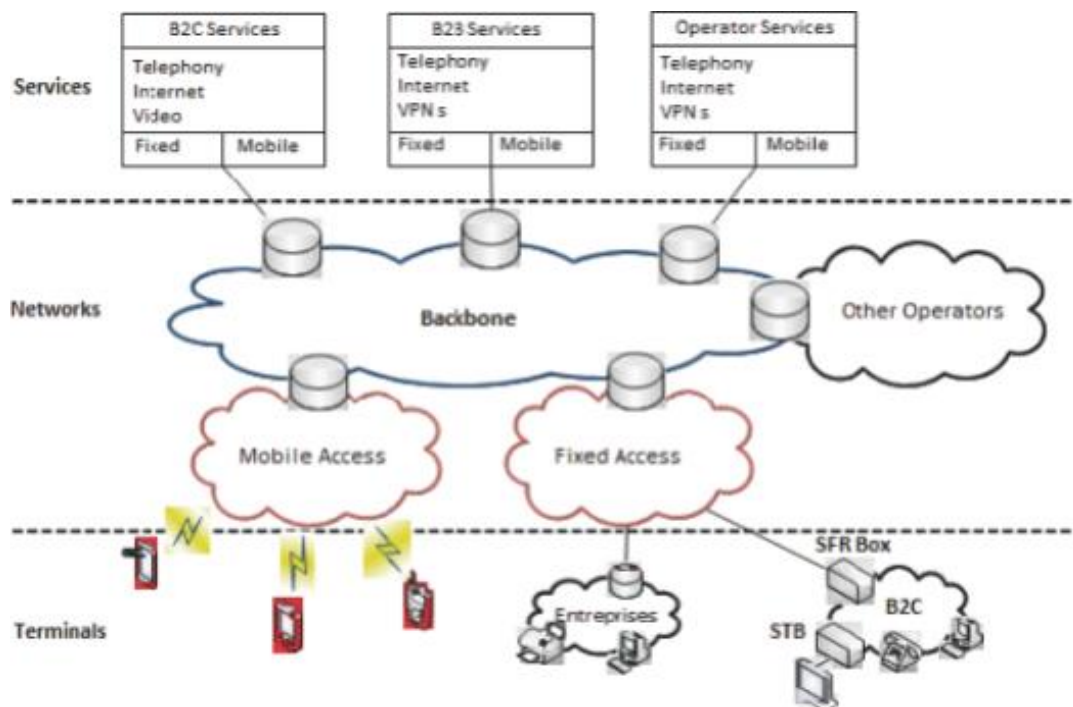
The Group intends to continue investing in cutting-edge technologies that make it possible to anticipate market changes and meet future traffic needs. For example, on May 16, 2018, the Group acquired 100% of the share capital of Altice Technical Services France from Altice International, a subsidiary 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*



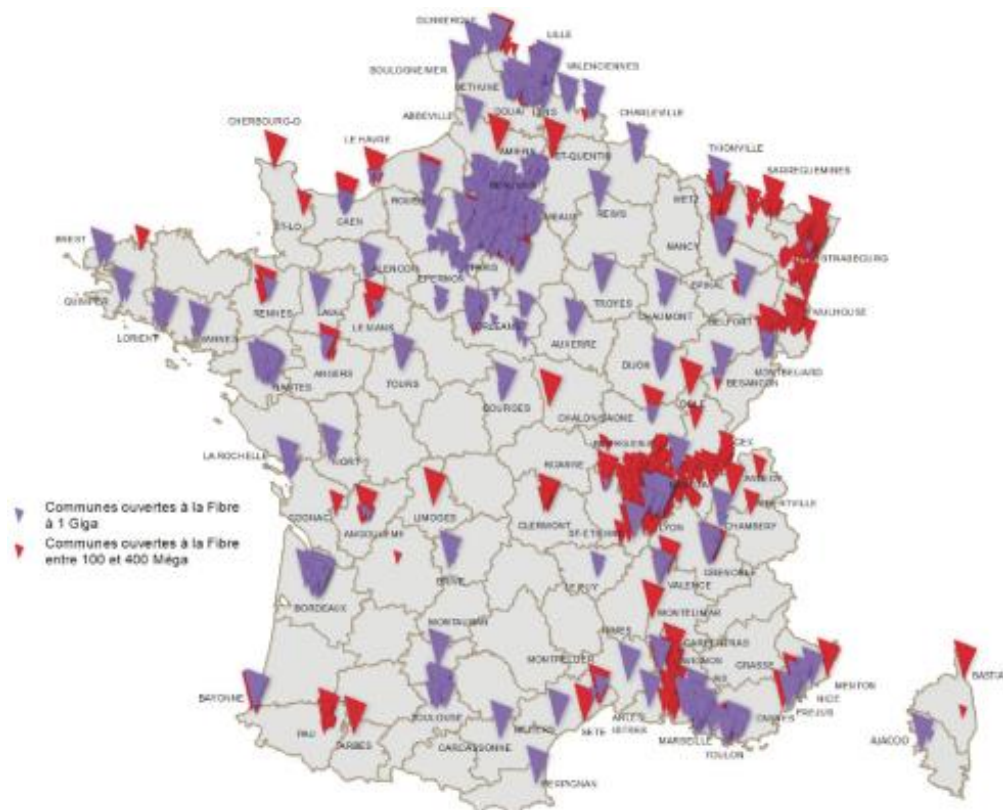
The pace of technological development and evolution in the telecommunications sector is intense and will continue to intensify in the face of rapid changes in consumer internet usage, both through fixed-line and mobile mediums. As a result, the Group has sought to streamline its networks over the past several years.

## Overview of the Group's network



## Fixed-line network

Fiber coverage as of March 31, 2018



### *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.

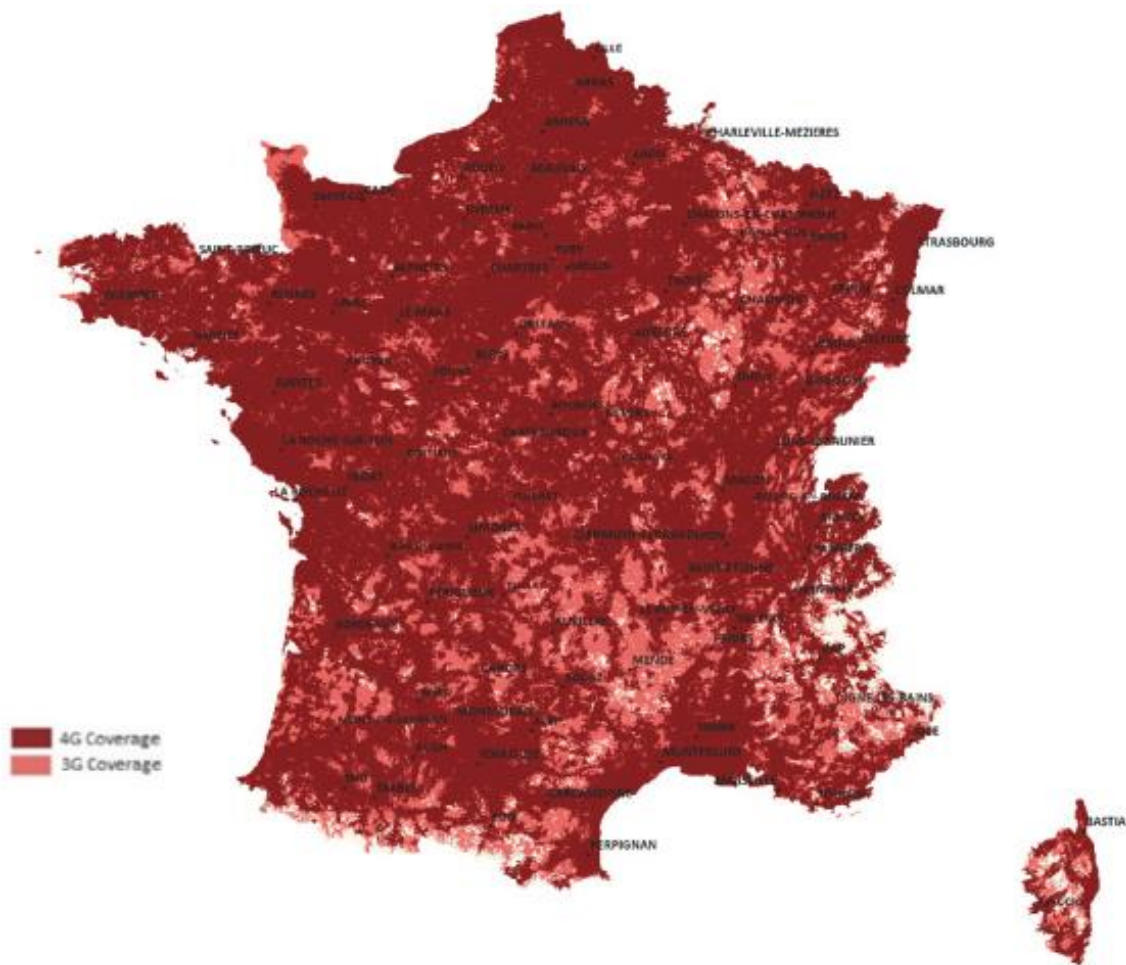
### ***Mobile coverage***

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.



#### *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 Commercial 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 Enterprise” 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 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.

This 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 devices 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 this Notice 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.

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 July 16, 2018, 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 Company 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 Company 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 Company 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. EI 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 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. 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 Telecom 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 Téléperformance 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. Familles 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. Familles 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 Familles 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.

### *Tracotel and Intermobility v. SFR*

In May 2017, Tracotel 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 Vélis 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 Company's financial condition and results of operations and should be read together with the Company's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2018 and the Company'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 Company and its subsidiaries.*

*The Company 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 Company'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.*

### **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 Company amended the presentation of its revenue derived from operational activities. The Company 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 Company 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 Indebtedness” included elsewhere in this Notice. 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 ARPU 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 Company’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 otherwise indicated)				
<b>Homes Passed<sup>(1)</sup></b> .....	<b>26,473</b>	<b>25,732</b>	<b>24,921</b>	<b>25,744</b>	<b>24,599</b>
Fiber/cable homes passed .....	7,711	9,316	10,951	9,634	11,239
<b>Fixed B2C</b>					
Fiber/cable unique customers <sup>(2)</sup> .....	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 <sup>(3)</sup> (€/month) .....	35.1	35.9	35.8	35.9	34.7
<b>Mobile B2C</b>					
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 <sup>(4)</sup> .....	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 Company 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 Company’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 Company’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 Company uses to evaluate how effectively the Company 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 Company'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 Company 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 Company 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 Company 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 Company'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 Company 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:

	<b>March 31, 2018<sup>(1)</sup></b>	<b>March 31, 2017 (restated)<sup>(1)</sup></b>	<b>Change</b>
		<b>(in € millions)</b>	
<b>Revenues</b> .....	<b>2,576</b>	<b>2,661</b>	<b>(3.2)%</b>
Purchasing and subcontracting .....	(852)	(990)	<b>(14.0)%</b>
Other operating expenses .....	(654)	(660)	<b>(1.0)%</b>
Staff costs and employee benefit expenses .....	(183)	(239)	<b>(23.5)%</b>
Depreciation, amortization and impairment .....	(613)	(564)	<b>8.7%</b>
Non-recurring income and expenses .....	(220)	(103)	<b>113.6%</b>
<b>Operating income</b> .....	<b>54</b>	<b>105</b>	<b>(48.6)%</b>
Financial income (loss) of associates .....	1	1	<b>144.8%</b>
Cost of gross financial debt .....	(188)	(193)	<b>(2.5)%</b>
Other financial expenses.....	(12)	(14)	<b>(11.0)%</b>
<b>Net financial income (expense)</b> .....	<b>(200)</b>	<b>(207)</b>	<b>(3.5)%</b>
Share in net income (loss) of associates .....	(0)	1	<b>(128.7)%</b>
<b>Income (loss) before taxes</b> .....	<b>(146)</b>	<b>(101)</b>	<b>44.6%</b>
Income tax income (expense) .....	24	14	<b>71.4%</b>
<b>Net income (loss) from continuing operations</b> .....	<b>(122)</b>	<b>(88)</b>	<b>38.6%</b>
Net income (loss).....	<b>(122)</b>	<b>(88)</b>	<b>38.6%</b>
Group share .....	<b>(119)</b>	<b>(86)</b>	<b>38.4%</b>
Non-controlling interests .....	<b>(3)</b>	<b>(2)</b>	<b>71.3%</b>

(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 Company 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 Company 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 “Trésor 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 Company's condensed consolidated financial statements for the three months ended March 31, 2018.

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 <sup>(1)</sup>	March 31, 2017 (restated) <sup>(1)</sup>	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%
<b>Total.....</b>	<b>2,576</b>	<b>2,661</b>	<b>(3.2)%</b>

- (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 <sup>(1)</sup>	March 31, 2017 (restated) <sup>(1)</sup> (in € millions)	Change
<b>Operating income</b> .....	<b>54</b>	<b>105</b>	<b>(48.6)%</b>
Depreciation, amortization and impairment .....	613	564	8.7%
Net restructuring costs .....	0	16	(100.7)%
Other non-recurring costs <sup>(2)</sup> .....	220	90	144.4%
<b>Adjusted EBITDA</b> .....	<b>888</b>	<b>776</b>	<b>14.4%</b>

(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) (in € millions)	Change
Net restructuring costs <sup>(1)</sup> .....	0	(16)	(100.0)%
Litigation <sup>(2)</sup> .....	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 <sup>(3)</sup> .....	(340)	(5)	6,700.0%
<b>Non-recurring income and expenses</b> .....	<b>(220)</b>	<b>(103)</b>	<b>113.6%</b>

- (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) (in € millions)	Change
<b>Cost of gross financial debt</b> .....	<b>(188)</b>	<b>(193)</b>	<b>(2.5)%</b>
Other financial income .....	<b>1</b>	<b>1</b>	<b>144.8%</b>
<b>Financial income</b> .....	<b>1</b>	<b>1</b>	<b>144.8%</b>
Provisions and unwinding of discount .....	(4)	(6)	(21.3)%
Other .....	(8)	(8)	(4.2)%
<b>Other financial expenses</b> .....	<b>(12)</b>	<b>(14)</b>	<b>(11.0)%</b>
<b>Net financial income (expense)</b> .....	<b>(200)</b>	<b>(207)</b>	<b>(3.5)%</b>

## 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:

	<b>December 31, 2017<sup>(1)</sup></b>	<b>December 31, 2016<sup>(1)</sup></b>	<b>Change</b>
		<b>(in € millions)</b>	
<b>Revenues</b> .....	<b>10,916</b>	<b>10,991</b>	<b>(0.7)%</b>
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%
<b>Operating income</b> .....	<b>(28)</b>	<b>954</b>	<b>(103.0)%</b>
Financial income .....	209	10	1990.0%
Cost of gross financial debt .....	(1,099)	(1,043)	5.4%
Other financial expenses.....	(177)	(78)	126.9%
<b>Net financial income (expense)</b> .....	<b>(1,068)</b>	<b>(1,111)</b>	<b>(3.9)%</b>
Share in net income (loss) of associates .....	(11)	(4)	174.5%
<b>Income (loss) before taxes</b> .....	<b>(1,107)</b>	<b>(161)</b>	<b>587.6%</b>
Income tax income (expense) .....	392	(57)	(787.7)%
<b>Net income (loss) from continuing operations</b> .....	<b>(715)</b>	<b>(218)</b>	<b>227.5%</b>
Net income (loss) from discontinued operations .....	—	—	—
<b>Net income (loss)</b> .....	<b>(715)</b>	<b>(218)</b>	<b>227.5%</b>
Group share .....	<b>(693)</b>	<b>(210)</b>	<b>229.4%</b>
Non-controlling interests .....	<b>(22)</b>	<b>(8)</b>	<b>174.9%</b>

(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 “Trésor 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 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 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 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup> (in € millions)	Change
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%
<b>Total.....</b>	<b>10,916</b>	<b>10,991</b>	<b>(0.7)%</b>

(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 <sup>(1)(2)</sup>	December 31, 2016 <sup>(1)</sup>	Change
		(in € millions)	
<b>Operating income</b> .....	<b>(28)</b>	<b>954</b>	<b>(103.0)%</b>
Depreciation, amortization and impairment .....	2,754	2,435	13.1%
Net restructuring costs <sup>(2)</sup> .....	673	167	302.9%
Costs relating to stock option plans .....	2	4	(50.0)%
Other non-recurring costs <sup>(3)</sup> .....	314	278	12.9%
<b>Adjusted EBITDA</b> .....	<b>3,714</b>	<b>3,838</b>	<b>(3.2)%</b>

(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 <sup>(1)(2)</sup>	December 31, 2016 <sup>(1)</sup>	Change
		(in € millions)	
Net restructuring costs <sup>(2)</sup> .....	(673)	(167)	301.8%
Litigation <sup>(3)</sup> .....	(34)	(162)	(78.8)%
Gain and loss on disposal of property, plant, equipment and intangible assets <sup>(3)(4)</sup> .....	(109)	(51)	113.7%
Other non-recurring income and expenses <sup>(5)</sup> .....	(164)	(52)	215.4%
<b>Non-recurring income and expenses</b> .....	<b>(980)</b>	<b>(432)</b>	<b>126.9%</b>

(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 Sequelum, 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 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>	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:

	<b>Year ended December 31,</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
	<b>(in € millions)</b>		
<b>Revenues</b> .....	<b>10,991</b>	<b>11,039</b>	<b>(0.4)%</b>
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%
<b>Operating income</b> .....	<b>954</b>	<b>937</b>	<b>1.8%</b>
Financial income .....	10	782	(98.7)%
Cost of gross financial debt .....	(1,043)	(781)	33.5%
Other financial expenses.....	(78)	(47)	66.0%
<b>Net financial income</b> .....	<b>(1,111)</b>	<b>(46)</b>	<b>2,315.2%</b>
Share in net income (loss) of associates .....	(4)	6	(166.7)%
<b>Income before taxes</b> .....	<b>(161)</b>	<b>898</b>	<b>(117.9)%</b>
Income tax income (expense) .....	(57)	(215)	(73.5)%
<b>Net income (loss) from continuing operations</b> .....	<b>(218)</b>	<b>682</b>	<b>131.9%</b>
Net income (loss) from discontinued operations .....	—	—	—
<b>Net income (loss)</b> .....	<b>(218)</b>	<b>682</b>	<b>131.9%</b>
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*

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 : 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:

- \$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.

#### ***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 Company'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 (in € millions)	Change
B2C .....	7,354	7,595	(3.2)%
B2B .....	2,013	2,116	(4.9)%
Wholesale .....	1,323	1,328	(0.4)%
Media .....	301	—	
<b>Total.....</b>	<b>10,991</b>	<b>11,039</b>	<b>(0.4)%</b>

**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 (in € millions)	Change
<b>Operating income</b> .....	<b>954</b>	<b>937</b>	<b>1.8%</b>
Depreciation, amortization and impairment .....	2,435	2,554	(4.7)%
SFR and Virgin acquisition expenses .....	—	16	(100.0)%
Net restructuring costs <sup>(1)</sup> .....	167	80	108.8%
Costs associated with stock option plans .....	4	9	(55.6)%
Other non-recurring costs <sup>(2)</sup> .....	278	263	5.7%
<b>Adjusted EBITDA</b> .....	<b>3,838</b>	<b>3,860</b>	<b>(0.6)%</b>

(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 (in € millions)	Change
Net restructuring costs <sup>(1)</sup> .....	(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 <sup>(2)</sup> .....	(52)	(20)	160.0%
<b>Non-recurring income and expenses</b> .....	<b>(432)</b>	<b>(314)</b>	<b>37.6%</b>

(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 (in € millions)	Change
<b>Cost of gross financial debt</b> .....	<b>(1,043)</b>	<b>(781)</b>	<b>33.5%</b>
Extinction of the earn-out liability to Vivendi <sup>(1)</sup> .....	—	644	(100.0)%
Other financial income .....	10	138	(92.8)%
<b>Financial income</b> .....	<b>10</b>	<b>782</b>	<b>(98.7)%</b>
Provisions and unwinding of discount.....	(34)	(18)	88.9%
Other.....	(44)	(29)	51.7%
<b>Other financial expenses</b> .....	<b>(78)</b>	<b>(47)</b>	<b>(66.0)%</b>
<b>Net financial income (expense)</b> .....	<b>(1,111)</b>	<b>(46)</b>	<b>2,315.2%</b>

- (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 Vivendi'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:

	<b>March 31, 2018<sup>(1)</sup></b>	<b>December 31, 2017 (restated)<sup>(1)</sup></b>	<b>Change</b>
		<b>(in € millions)</b>	
<b>Assets</b>			
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%
<b>Non-current assets .....</b>	<b>25,027</b>	<b>25,259</b>	<b>(0.9)%</b>
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	—
<b>Current assets .....</b>	<b>4,768</b>	<b>4,791</b>	<b>(0.1)%</b>
<b>Total Assets .....</b>	<b>29,795</b>	<b>30,050</b>	<b>(0.8)%</b>



- (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 <sup>(1)</sup>	December 31, 2017 <sup>(1)</sup> (in € millions)	Change
<b>Equity and liabilities</b>			
Share capital .....	444	444	0%
Additional paid-in capital .....	5,403	5,403	0%
Reserves .....	(2,942)	(2,738)	7.5%
<b>Equity attributable to owners of the company</b> .....	<b>2,904</b>	<b>3,108</b>	<b>(6.6)%</b>
Non-controlling interests .....	(88)	(85)	3.8%
<b>Consolidated equity</b> .....	<b>2,816</b>	<b>3,023</b>	<b>(6.8)%</b>
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%
<b>Non-current liabilities</b> .....	<b>18,291</b>	<b>18,503</b>	<b>(1.1)%</b>
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	—
<b>Current liabilities</b> .....	<b>8,688</b>	<b>8,524</b>	<b>1.9%</b>
<b>Total Equity &amp; Liabilities</b> .....	<b>29,795</b>	<b>30,050</b>	<b>(0.8)%</b>

- (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 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup> (in € millions)	Change
<b>Assets</b>			
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%
<b>Non-current assets .....</b>	<b>25,255</b>	<b>26,986</b>	<b>(6.4)%</b>
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)%
<b>Current assets .....</b>	<b>4,524</b>	<b>4,121</b>	<b>9.8%</b>
<b>Total Assets .....</b>	<b>29,779</b>	<b>31,107</b>	<b>(4.3)%</b>

(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 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup> (in € millions)	Change
<b>Equity and liabilities</b>			
Share capital .....	444	443	0.3%
Additional paid-in capital .....	5,403	5,388	0.3%
Reserves .....	(2,920)	(2,221)	31.5%
<b>Equity attributable to owners of the company .....</b>	<b>2,927</b>	<b>3,609</b>	<b>(18.9)%</b>
Non-controlling interests .....	(85)	(37)	127.4%
<b>Consolidated equity .....</b>	<b>2,841</b>	<b>3,572</b>	<b>(20.4)%</b>
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)%
<b>Non-current liabilities .....</b>	<b>18,414</b>	<b>19,568</b>	<b>(5.9)%</b>
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)%
<b>Current liabilities .....</b>	<b>8,524</b>	<b>7,968</b>	<b>7.0%</b>
<b>Total Equity &amp; Liabilities .....</b>	<b>29,779</b>	<b>31,107</b>	<b>(4.3)%</b>

(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,			Total
	2018	2019	2020 or later	
	(in € millions)			
Existing 2022 Dollar Notes <sup>(1)(3)</sup> .....	—	—	3,245	3,245
Existing 2022 Euro Notes <sup>(3)</sup> .....	—	—	1,000	1,000
Existing 2024 Dollar Notes <sup>(1)</sup> .....	—	—	1,115	1,115
Existing 2024 Euro Notes .....	—	—	1,250	1,250
Existing 2026 Notes <sup>(3)</sup> .....	—	—	4,210	4,210
Existing Revolving Credit Facilities .....	—	—	330	330
Existing Term Loans <sup>(1)(2)</sup> .....	50	50	4,916	5,017
<b>Total</b> .....	<b>50</b>	<b>50</b>	<b>16,067</b>	<b>16,168</b>

(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 is expected to be borrowed under the 2018 Term Loan following July 16, 2018. 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 are expected to be redeemed 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 If the 2018 Term Loan is not extended, we expect that only a portion of the Existing 2022 Notes (in an approximate amount corresponding to the aggregate principal amount of the Notes less accrued interest, premium payable and transaction fees and expenses) will be redeemed with the proceeds of the Proposed Financing. 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, 2018	December 31, 2017 restated <sup>(1)</sup>	March 31, 2018	December 31, 2017 restated <sup>(1)</sup>	March 31, 2018	December 31, 2017 restated <sup>(1)</sup>
	(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
<b>Borrowings</b> .....	<b>494</b>	<b>351</b>	<b>16,725</b>	<b>16,854</b>	<b>17,219</b>	<b>17,206</b>
Finance lease liabilities.....	48	33	13	40	61	73
Perpetual subordinated notes ("TSDP") .....	—	—	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
<b>Other financial liabilities ..</b>	<b>1,095</b>	<b>1,107</b>	<b>229</b>	<b>248</b>	<b>1,323</b>	<b>1,355</b>
<b>Financial liabilities .....</b>	<b>1,589</b>	<b>1,458</b>	<b>16,953</b>	<b>17,103</b>	<b>18,542</b>	<b>18,561</b>

(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***

	<b>March 31, 2018</b>	<b>March 31, 2017 restated<sup>(1)</sup></b>	<b>Change</b>
		<b>(in € millions)</b>	
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*

	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>Change</b>
		<b>(in € millions)</b>	
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***

	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>Change</b>
		<b>(in € millions)</b>	
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 Company 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 dividend 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
<b>Total.....</b>	<b>1,519</b>	<b>2,471</b>	<b>1,032</b>	<b>5,022</b>

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
<b>Total.....</b>	<b>1,307</b>	<b>1,705</b>	<b>773</b>	<b>3,785</b>

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
<b>Total.....</b>	<b>836</b>	<b>939</b>	<b>801</b>	<b>2,575</b>

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 this Notice.

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 this Notice.

### ***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 this Notice 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.

## **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.

## 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.

### 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 Company 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 Company has entered into various arrangements with Altice TV and its subsidiaries, including: (i) exclusive distribution rights in France provided to the Company 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 Company 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 Company ("**AENS Contract Renegotiation**"). The Company 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 Company 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 share 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 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 Company 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<sup>3</sup>/<sub>8</sub>% 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<sup>1</sup>/<sub>4</sub>% 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<sup>5</sup>/<sub>8</sub>% Senior Secured Notes due 2024 denominated in euro (the “**Existing 2024 Euro Notes**” 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 Company, 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 “*Summary – The Refinancing Transactions and Certain Amendments to the Existing Revolving Credit Facilities*” for more information.

On April 11, 2016, the Company issued \$5,190 million aggregate principal amount of its 7<sup>3</sup>/<sub>8</sub>% 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 Company, 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 Company and (i) rank *pari passu* in right of payment with all existing and future indebtedness of the Company 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 Company that is expressly subordinated in right of payment to the Existing Notes and (iii) will be effectively subordinated to any existing and future indebtedness of the Company 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 Company. 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 Company 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 will also secure the Notes.

Under the terms of the Intercreditor Agreement (as described below), in the event of an enforcement of the Existing Collateral, holders of the Existing Notes will receive proceeds from such Existing 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 Company 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:

Year	Repurchase price	
	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 Company 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 Company 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:

Year	Repurchase price	
	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 Company 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 Company 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:

Year	Repurchase price	
	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 Company 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 Company 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 Company 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 Company 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 Company, 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 (in million)	Outstanding At March 31, 2018
EUR Term Loan B11 .....	Company and Ypso France	July 31, 2025	€ 1,145	€ 1,136
EUR Term Loan B12 .....	Company	January 31, 2026	€ 1,000	€ 998
USD Term Loan B11 .....	Company	July 31, 2025	\$ 1,420	\$ 1,409
USD Term Loan B12 .....	Company	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 Company 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 Company 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 Company, 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 Company 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 Company 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 will secure 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 Company 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 Company for the payment of regularly scheduled interest as such amounts come due under certain of its indebtedness.

### **Existing Revolving Credit Facilities**

The Company 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 Company 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 July 16, 2018 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 Company and certain of its subsidiaries for general corporate and working capital purposes of the Company 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 Company) may provide new or additional commitments under the Existing Revolving Credit Facilities Agreement.

### ***Interest Periods, Interest Rates and Fees***

The Company 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 Company 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 Company 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 Company 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 Company 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 will Guarantee 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 Company 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 Company 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 will secure 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 Company 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 Company 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 (*pro 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 Company 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 Company. 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 “**Senior 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 Company 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 Company 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 Company 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 Company 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 Company**”).

### ***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 Company 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 Company), 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 Company 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 Company 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 this Notice for the commitments of the Group (the current value of minimum rents) under its finance leases.

## 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 ( <i>Autorité de régulation des communications électroniques et des postes</i> ).
“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.

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

## Consolidated Statement of Income

<i>(in € millions)</i>	<b>March 31, 2018</b>	<b>March 31, 2017 restated (*)</b>
<b>Revenues</b>	<b>2,576</b>	<b>2,661</b>
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)
<b>Operating income</b>	<b>54</b>	<b>105</b>
Financial income	1	1
Cost of gross financial debt	(188)	(193)
Other financial expenses	(12)	(14)
<b>Net financial income (expense)</b>	<b>(200)</b>	<b>(207)</b>
Share in net income (loss) of associates	(0)	1
<b>Income (loss) before taxes</b>	<b>(146)</b>	<b>(101)</b>
Income tax income (expense)	24	14
<b>Net income (loss) from continuing operations</b>	<b>(122)</b>	<b>(88)</b>
<b>Net income (loss) from discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Net income (loss)</b>	<b>(122)</b>	<b>(88)</b>
■ <b>Group share</b>	<b>(119)</b>	<b>(86)</b>
■ <b>Non-controlling interests</b>	<b>(3)</b>	<b>(2)</b>

(\*) Refer to Note 19 – Restated information

## Consolidated Statement of Comprehensive Income

<i>(in € millions)</i>	<b>March 31, 2018</b>	<b>March 31, 2017 restated (*)</b>
<b>Net income (loss)</b>	<b>(122)</b>	<b>(88)</b>
<b>Items that may be subsequently reclassified to profit or loss :</b>		
Foreign currency translation adjustments	0	(1)
Cash flow hedges	(104)	126
Related taxes	27	(32)
Other items related to associates	0	0
<b>Items that will not be subsequently reclassified to profit or loss :</b>		
Actuarial gain (loss)	-	-
Related taxes	-	-
<b>Comprehensive income (loss)</b>	<b>(199)</b>	<b>5</b>
<i>Of which :</i>		
<i>Comprehensive income (loss), Group share</i>	<i>(196)</i>	<i>7</i>
<i>Comprehensive income (loss), Non-controlling interests</i>	<i>(3)</i>	<i>(2)</i>

(\*) Refer to Note 19 – Restated information

## Consolidated Statement of Financial Position

<i>(in € millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017 restated (*)</b>
<b>Assets</b>		
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
<b>Non-current assets</b>	<b>25,027</b>	<b>25,259</b>
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)
<b>Current assets</b>	<b>4,768</b>	<b>4,791</b>
<b>Total Assets</b>	<b>29,795</b>	<b>30,050</b>

<i>(in € millions)</i>	<b>March 31, 2018</b>	<b>December 31, 2017 restated (*)</b>
<b>Equity and liabilities</b>		
Share capital	444	444
Additional paid- in capital	5,403	5,403
Reserves	(2,942)	(2,738)
<b>Equity attributable to owners of the company</b>	<b>2,904</b>	<b>3,108</b>
Non-controlling interests	(88)	(85)
<b>Consolidated equity</b>	<b>2,816</b>	<b>3,023</b>
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
<b>Non-current liabilities</b>	<b>18,291</b>	<b>18,503</b>
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)
<b>Current liabilities</b>	<b>8,688</b>	<b>8,524</b>
<b>Total Equity &amp; liabilities</b>	<b>29,795</b>	<b>30,050</b>

(\*) Refer to Note 19 – Restated information



## Consolidated Statement of Changes in Equity

	Equity attributable to owners of the company						
	Capital	Addition al paid- in capital	Reserves	Other compre hensive income	Total	Non- controlling interests	Consoli- dated 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)	-	-	(119)	(77)	(196)	(3)	(199)
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
<i>(in € millions)</i>						
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
<b>Total</b>	<b>(367)</b>	<b>(274)</b>	<b>93</b>	<b>(333)</b>	<b>(410)</b>	<b>(77)</b>

(\*) Refer to Note 19 – Restated information

## Consolidated Statement of Cash Flows

(in € millions)	March 31, 2018	March 31, 2017 restated (*)
<b>Net income, Group share</b>	<b>(119)</b>	<b>(86)</b>
<i>Adjustments:</i>		
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)
<b>Net cash flow provided (used) by operating activities</b>	<b>671</b>	<b>378</b>
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)
<b>Net cash flow provided (used) by investing activities</b>	<b>(687)</b>	<b>(638)</b>
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
<b>Net cash flow provided (used) by financing activities</b>	<b>(20)</b>	<b>56</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(36)</b>	<b>(204)</b>
Exchange rate impact on cash in foreign currencies	(0)	(0)
<b>Net cash and cash equivalents at beginning of period</b>	<b>373</b>	<b>400</b>
<b>Net cash and cash equivalents at end of period</b>	<b>337</b>	<b>196</b>
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.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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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 occurred 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.

### 1.3. 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 lead 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).

#### 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).

**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.

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.
- IFRS 9 amendments - *Prepayment Features with Negative Compensation*, effective on or after January 1, 2019.

The impacts of implementing these new 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.



### 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, concern the entry in the Group of two new DSP (Martinique THD and Connect 76) and the transfer of all assets and liabilities ("Transmission Universelle de Patrimoine") of Decovery and Technologies Culturels to Groupe l'Express.

### 4. Revenue

The breakdown of revenue by segment is detailed as follows:

<i>(in € millions)</i>	March 31, 2018	March 31, 2017 restated
Mobile-service	1,011	1,020
Mobile-equipment sales	183	167
Fixe	981	1,028
Wholesale	290	318
Media	111	127
<b>Total</b>	<b>2,576</b>	<b>2,661</b>

### 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:

<i>(in € millions)</i>	March 31, 2018	March 31, 2017 restated
<b>Operating income</b>	<b>54</b>	<b>105</b>
Depreciation, amortization and impairment	613	564
Restructuring costs	(0)	16
Costs relating to stock option plans	-	0
Other non-recurring costs (a)	220	90
<b>Adjusted EBITDA</b>	<b>888</b>	<b>776</b>

(a) As of March 31, 2018, includes the break-up fee with Altice Entertainment News & Sport (€(300) million). Refer to Note 2 – *Significant events of the period*. These costs also include the write back of provisions related to various litigations following settlement agreements and judgements received in June 2018.

## 6. Financial income

Financial income is broken down below:

	March 31, 2018	March 31, 2017 restated
<i>(in € millions)</i>		
<b>Cost of gross financial debt</b>	<b>(188)</b>	<b>(193)</b>
Other financial income	1	1
<b>Financial income</b>	<b>1</b>	<b>1</b>
Provisions and unwinding of discount	(4)	(6)
Other	(8)	(8)
<b>Other financial expenses</b>	<b>(12)</b>	<b>(14)</b>
<b>Net financial income (expense)</b>	<b>(200)</b>	<b>(207)</b>

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
<i>(in € millions)</i>		
Derivative financial instruments (a)	447	650
Other	89	86
<b>Non-current financial assets</b>	<b>536</b>	<b>736</b>
Other non-current assets (b)	215	195
<b>Other non-current assets</b>	<b>752</b>	<b>931</b>

(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
<i>(in € millions)</i>		
Cash	291	385
Cash equivalents (a)	62	66
<b>Cash and cash equivalents</b>	<b>354</b>	<b>451</b>

(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:

(in € millions)	March 31, 2018	December 31, 2017 restated	March 31, 2018	December 31, 2017 restated	March 31, 2018	December 31, 2017 restated
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
<b>Borrowings</b>	<b>494</b>	<b>351</b>	<b>16,725</b>	<b>16,854</b>	<b>17,219</b>	<b>17,206</b>
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
<b>Other financial liabilities</b>	<b>1,095</b>	<b>1,107</b>	<b>229</b>	<b>248</b>	<b>1,323</b>	<b>1,355</b>
<b>Financial liabilities</b>	<b>1,589</b>	<b>1,458</b>	<b>16,953</b>	<b>17,103</b>	<b>18,542</b>	<b>18,561</b>

(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

## 11.2. 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
<i>(in € millions)</i>		
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
<b>Financial Liabilities contributing to net financial debt (a)</b>	<b>16,299</b>	<b>16,381</b>
Cash and cash equivalents	354	451
Net derivative instruments - currency translation impact	256	547
<b>Financial Assets contributing to net financial debt (b)</b>	<b>610</b>	<b>998</b>
<b>Net financial debt (a) – (b)</b>	<b>15,690</b>	<b>15,383</b>

(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.

## 11.3. 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
<i>(in € millions)</i>		
Financial liabilities	18,542	18,561
Cash and cash equivalents	(354)	(451)
Derivative instruments - asset	(447)	(650)
<b>Net financial debt - consolidated statement of financial position</b>	<b>17,741</b>	<b>17,460</b>
<i>Reconciliation :</i>		
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)
<b>Net financial debt</b>	<b>15,690</b>	<b>15,383</b>

#### 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.

	December 31, 2017 restated	Consolidated statement of cash flows			March 31, 2018
		Net cash flow - financing activities	Other flows	Other flows - non cash	
<i>(in € millions)</i>					
Non-current borrowings and other financial liabilities	16,854	(14)	-	(116)	16,725
Other non-current financial liabilities	248	(11)	-	(8)	229
<b>Non-current financial liabilities</b>	<b>17,103</b>	<b>(25)</b>	<b>-</b>	<b>(125) <sup>2</sup></b>	<b>16,953</b>
Current borrowings and financial liabilities	351	(6)	-	149	494
Other current financial liabilities	1,107	12	(55)	31	1,095
<b>Current financial liabilities</b>	<b>1,458</b>	<b>6</b>	<b>(55) <sup>1</sup></b>	<b>180 <sup>3</sup></b>	<b>1,589</b>
<b>Financial liabilities</b>	<b>18,561</b>	<b>(19)</b>	<b>(55)</b>	<b>55</b>	<b>18,542</b>

1. Of which bank overdraft for €(60) million;
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
<i>(in € millions)</i>				
<b>Assets</b>				
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
<b>Liabilities</b>				
Non-current borrowings and financial liabilities <sup>1</sup>	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

<sup>1</sup> 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:

(in € millions)		March 31,	December 31,
Type	Underlying element	2018	2017 restated
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)
<b>Net Derivative instruments</b>		<b>(622)</b>	<b>(206)</b>
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						
(in € millions)	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
Employee benefit plans (a)	124	3	(0)	(0)	-	127
Restructuring (b)	46	-	(12)	-	0	35
Technical site restoration (c)	97	-	-	-	-	97
Litigation and other (d)	559	2	(51)	(122)	(16)	372
<b>Provisions</b>	<b>826</b>	<b>5</b>	<b>(63)</b>	<b>(122)</b>	<b>(16)</b>	<b>631</b>
Current provisions	350	-	(54)	(122)	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.

(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						
(in € millions)	Opening	Increase	Utilization	Reversal and changes of accounting estimates	Other	Closing
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
<b>Provisions</b>	<b>1,236</b>	<b>996</b>	<b>(978)</b>	<b>(396)</b>	<b>(32)</b>	<b>826</b>
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:

(in € millions)	March 31, 2018	March 31, 2017 restated
Total income	15	15
Total expenses	(360)	(147)
<b>Total</b>	<b>(345)</b>	<b>(133)</b>

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.

As a consequence of the contract renegotiation 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 governmental arbitration 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 communiqué' 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.

### 16.2. 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 initiated its own evaluation of damages suffered before initiating 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 exercising 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 clearance 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.

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 on going 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 1<sup>st</sup> 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 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.

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 current 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
<i>(in € millions)</i>					
<b>Assets</b>					
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
<b>Non-current assets</b>	<b>25,255</b>	<b>5</b>	<b>25,259</b>	<b>11</b>	<b>25,270</b>
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)
<b>Current assets</b>	<b>4,524</b>	<b>266</b>	<b>4,791</b>	<b>(31)</b>	<b>4,760</b>
<b>Total Assets</b>	<b>29,779</b>	<b>271</b>	<b>30,050</b>	<b>(20)</b>	<b>30,030</b>

	December 31, 2017	IFRS15 Impact	December 31, 2017 restated	IFRS9 Impact	January 1st 2018 restated
<i>(in € millions)</i>					
<b>Equity and liabilities</b>					
Share capital	444	-	444	-	444
Additional paid-in capital	5,403	-	5,403	-	5,403
Reserves	(2,920)	182	(2,738)	21	(2,717)
<b>Equity attributable to owners of the company</b>	<b>2,927</b>	<b>182</b>	<b>3,108</b>	<b>21</b>	<b>3,130</b>
Non-controlling interests	(85)	-	(85)	-	(85)
<b>Consolidated equity</b>	<b>2,841</b>	<b>182</b>	<b>3,023</b>	<b>21</b>	<b>3,045</b>
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
<b>Non-current liabilities</b>	<b>18,414</b>	<b>89</b>	<b>18,503</b>	<b>(42)</b>	<b>18,461</b>
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)
<b>Current liabilities</b>	<b>8,524</b>	<b>-</b>	<b>8,524</b>	<b>-</b>	<b>8,524</b>
<b>Total Equity &amp; liabilities</b>	<b>29,779</b>	<b>271</b>	<b>30,050</b>	<b>(20)</b>	<b>30,030</b>

## 19.2. Consolidated Statement of Income

	March 31, 2017	IFRS 15 impact	March 31, 2017 restated
<i>(in € millions)</i>			
<b>Revenues</b>	<b>2,705</b>	<b>(45)</b>	<b>2,661</b>
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)
<b>Operating income</b>	<b>156</b>	<b>(51)</b>	<b>105</b>
Financial income	1	-	1
Cost of gross financial debt	(193)	-	(193)
Other financial expenses	(14)	-	(14)
<b>Net financial income (expense)</b>	<b>(207)</b>	<b>-</b>	<b>(207)</b>
Share in net income (loss) of associates	0	0	1
<b>Income (loss) before taxes</b>	<b>(50)</b>	<b>(51)</b>	<b>(101)</b>
Income tax income (expense)	(4)	18	14
<b>Net income (loss) from continuing operations</b>	<b>(54)</b>	<b>(34)</b>	<b>(88)</b>
<b>Net income (loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss)</b>	<b>(54)</b>	<b>(34)</b>	<b>(88)</b>
■ Group share	(52)	(34)	(86)
■ Non-controlling interests	(2)	(0)	(2)

## 19.3. Consolidated Statement of Cash Flows

	March 31, 2017	IFRS 15 Impact	March 31, 2017 restated
<i>(in € millions)</i>			
<b>Net income, Group share</b>	<b>(52)</b>	<b>(34)</b>	<b>(86)</b>
<i>Adjustments:</i>			
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)
<b>Net cash flow provided (used) by operating activities</b>	<b>373</b>	<b>5</b>	<b>378</b>
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)
<b>Net cash flow provided (used) by investing activities</b>	<b>(633)</b>	<b>(5)</b>	<b>(638)</b>
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
<b>Net cash flow provided (used) by financing activities</b>	<b>56</b>	<b>-</b>	<b>56</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(204)</b>	<b>0</b>	<b>(204)</b>
<b>Net cash and cash equivalents at beginning of period</b>	<b>400</b>	<b>-</b>	<b>400</b>
<b>Net cash and cash equivalents at end of period</b>	<b>196</b>	<b>-</b>	<b>196</b>
<i>of which cash and cash equivalents</i>	<i>318</i>	<i>-</i>	<i>318</i>
<i>of which bank overdrafts</i>	<i>(122)</i>	<i>-</i>	<i>(122)</i>