Altice France S.A.

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Condensed Interim Consolidated Financial Statements

As of and for the nine month period ended September 30, 2019

Consolidated Statement of Income (€m)	September 30, 2019	September 30, 2018
Revenues	**7,810.5**	**7,560.0**
Purchasing and subcontracting costs	(2,072.5)	(2,446.1)
Other operating expenses	(1,356.7)	(1,686.9)
Staff costs and employee benefits	(745.5)	(650.8)
Depreciations, amortizations and impairments	(2,491.6)	(1,911.9)
Other expenses and income	3,094.2	(324.4)
Operating profit	**4,238.4**	**539.8**
Finance income	3.3	5.0
Interest relative to gross financial debt	(628.3)	(585.8)
Realized and unrealized gains/(loss) on derivative instruments linked to financial debt	(115.3)	0.7
Other financial expenses	(191.6)	(81.0)
Net result on extinguishment of financial liabilities	(79.1)	(145.2)
Finance costs, net	**(1,011.0)**	**(806.4)**
Share of earnings of associates and joint ventures	(121.4)	(8.5)
Profit/(loss) before income tax from continuing operations	**3,106.0**	**(275.1)**
Income tax benefit/(expenses)	(28.7)	(34.8)
Profit/(loss) from continuing operations	**3,077.3**	**(309.8)**
Profit/(loss) after tax from discontinuing operations	-	-
Profit/(loss)	**3,077.3**	**(309.8)**
Attributable to equity holders of the parent	3,037.9	(307.8)
Attributable to non-controlling interests	39.4	(2.0)

Consolidated Statement of Other Comprehensive Income (€m)	September 30, 2019	September 30, 2018
Profit (loss)	**3,077.3**	**(309.8)**
Items that may be subsequently reclassified to profit or loss :		
Foreign currency translation adjustments	0.2	0.5
Cash flow hedges	131.4	(76.7)
Related taxes	(33.9)	19.8
Other items related to associates	0.2	0.4
Items that will not be subsequently reclassified to profit or loss :		
Actuarial gain (loss)	(26.5)	(0.2)
Related taxes	6.7	0.0
Total Comprehensive Profit (loss)	**3,155.4**	**(365.9)**
Of which :		
Attributable to equity holders of the parent	**3,116.0**	**(364.0)**
Attributable to non-controlling interests	**39.4**	**(2.0)**

Consolidated Statement of Financial Position **(€m)**	**September 30, 2019**	**December 31, 2018**
Assets		
Goodwill	11,484.2	11,479.8
Intangible assets	5,619.0	5,888.7
Contracts costs	155.2	156.9
Property, plant and equipment	6,282.6	6,331.4
Rights of use assets	2,863.3	-
Investments in associates and joint ventures	1,623.1	19.8
Financial assets	1,379.0	1,116.3
Deferred tax assets	17.4	11.7
Other assets	261.6	265.5
Total non-current assets	**29,685.5**	**25,270.0**
Inventories	362.7	304.0
Trade and other receivables	3,508.6	3,549.6
Contracts assets	200.2	226.8
Current tax assets	119.0	110.9
Financial assets	155.1	2.2
Cash and cash equivalents	1,797.3	1,068.5
Assets classified as held for sale	-	521.9
Total current assets	**6,142.8**	**5,783.9**
Total Assets	**35,828.3**	**31,053.8**

Consolidated Statement of Financial Position **(€m)**	**September 30, 2019**	**December 31, 2018**
Equity and liabilities		
Issued capital	443.7	443.7
Additional paid in capital	3,537.7	5,403.1
Reserves	1,120.2	(2,025)
Equity attributable to owners of the company	**5,101.5**	**3,821.7**
Non-controlling interests	**232.7**	**216.4**
Total equity	**5,334.2**	**4,038.1**
Borrowings, financial liabilities and relating hedging instruments	17,701.2	17,435.9
Lease liabilities	2,215.5	-
Other financial liabilities	312.6	367.3
Provisions	386.9	476.4
Non-current contracts liabilities	506.7	502.8
Deferred tax liabilities	116.9	126.4
Other liabilities	62.2	50.4
Total non-current liabilities	**21,302.1**	**18,959.2**
Borrowings, financial liabilities	1,944.3	359.9
Lease liabilities	651.8	-
Other financial liabilities	940.0	1,086.0
Trade and other payables	4,771.1	5,558.0
Contracts liabilities	558.1	478.5
Current tax liabilities	117.5	115.4
Provisions	131.4	216.5
Other liabilities	78.0	42.8
Liabilities directly associated with assets classified as held for sale	-	199.4
Total Current liabilities	**9,192.1**	**8,056.5**
Total Equity & liabilities	**35,828.3**	**31,053.8**

Consolidated Statement of Changes in Equity (€m)	Capital	Additional paid-in capital	Reserves	Other comprehensive income	Total	NCI	Consolidated equity
	Equity attributable to owners of the company						
Equity at December 31, 2017	**443.7**	**5,403.1**	**(2,405.1)**	**(333.2)**	**3,108.4**	**(85.1)**	**3,023.3**
IFRS 9 - Retrospective application	-	-	24.5	-	24.5	-	24.5
Restated equity at December 31, 2017	**443.7**	**5,403.1**	**(2,380.7)**	**(333.2)**	**3,132.9**	**(85.1)**	**3,047.8**
Comprehensive profit/(loss)	-	-	(307.8)	(56.1)	(364.0)	(2.0)	(365.9)
Business combination under common control: ATSF and ACS (a)	-	-	(94.8)	-	(94.8)	7.2	(87.6)
Additional participation in ACL and GNP (a)	-	-	(108.4)	-	(108.4)	78.8	(29.6)
Other movements (a)	-	-	(90.4)	-	(90.4)	7.6	(82.8)
Equity at September 30, 2018	**443.7**	**5,403.1**	**(2,982.0)**	**(389.3)**	**2,475.4**	**6.5**	**2,481.9**
Dividends	-	-	-	-	-	(4.4)	(4.4)
Comprehensive profit/(loss)	-	-	(168.3)	82.4	(85.9)	1.4	(84.5)
Share-based compensation	-	-	1.2	-	1.2	-	1.2
Business combination under common control: FOT (a)	-	-	(102.4)	-	(102.4)	-	(102.4)
Disposal of Hivory's NCI (a)	-	-	1,534.0	-	1,534.0	217.6	1,751.7
Other movements	-	-	(0.6)	-	(0.6)	(4.7)	(5.4)
Equity at December 31, 2018	**443.7**	**5,403.1**	**(1,718.2)**	**(306.9)**	**3,821.7**	**216.4**	**4,038.1**
IFRS 16 - Modified retrospective method	-	-	40.0	-	40.0	-	40.0
Equity at January 1st, 2019	**443.7**	**5,403.1**	**(1,678.1)**	**(306.9)**	**3,861.7**	**216.4**	**4,078.2**
Dividends	-	(1,870.0)	-	-	(1,870.0)	(27.1)	(1,897.1)
Comprehensive profit/(loss)	-	-	3,037.9	78.1	3,116.0	39.4	3,155.4
Share-based compensation	-	-	1.9	-	1.9	-	1.9
Business combination under common control	-	-	(0.6)	-	(0.6)	(0.3)	(0.8)
Other movements	-	4.6	(12.1)	-	(7.5)	4.2	(3.3)
Equity at September 30, 2019	**443.7**	**3,537.7**	**1,349.0**	**(228.9)**	**5,101.5**	**232.7**	**5,334.2**

(a) Refer to the Group's 2018 consolidated financial statements

Breakdown of Changes in Equity Related to Other Comprehensive Income (€m)	December 31, 2017 restated	September 30, 2018	*Change*	December 31, 2018	September 30, 2019	*Change*
Hedging instruments	(441.8)	(518.5)	*(76.7)*	(418.3)	(286.9)	*131.4*
Related taxes	114.1	133.9	*19.8*	108.0	74.1	*(33.9)*
Actuarial gains and losses	(9.5)	(9.6)	*(0.1)*	0.8	(25.7)	*(26.5)*
Related taxes	1.8	1.8	*0.0*	(0.2)	6.5	*6.7*
Foreign currency translation adjustments	(1.1)	(0.6)	*0.5*	(1.0)	(0.7)	*0.2*
Items related to associates	3.2	3.6	*0.4*	3.7	3.8	*0.2*
Total	**(333.3)**	**(389.3)**	***(56.1)***	**(306.9)**	**(228.9)**	***78.1***

Consolidated Statement of Cash Flows	September 30,	September 30,

(€m)	2019	2018 restated (*)
Net income (loss), Group share	**3 037,9**	**(307,8)**
Adjustments:		
Result attributable to non-controlling interests	39,4	(2,0)
Depreciation, amortization and provisions	2 407,0	1 730,8
Share in net income (loss) of associates	121,4	8,5
Finance costs recognized in the statement of income	1 011,0	806,4
Income tax (benefit) expense recognized in the statement of income	28,7	34,8
Other non-cash items (a)	(3 188,5)	20,6
Income tax paid	(149,5)	(39,9)
Change in working capital	(458,7)	(38,3)
Net cash flow provided (used) by operating activities	**2 848,7**	**2 213,0**
Payments to acquire tangible and intangible assets (*)	(1 738,7)	(1 746,1)
Payments for acquisition of consolidated entities, net of cash acquired	(2,1)	(100,2)
Payments to acquire interests in associates (*)	(19,6)	(21,6)
(Net) payments to acquire financial assets	(1,0)	(3,6)
Proceeds from disposals of property, plant and equipment and intangible assets (*)	5,4	42,0
Proceeds from disposal of consolidated entities, net of cash disposals	1 561,3	27,8
Net cash flow provided (used) by investing activities	**(194,6)**	**(1 801,6)**
Dividends paid to owners of the company	(1 870,0)	-
Dividends paid to non-controlling interests	(26,9)	-
Dividends received	0,6	2,8
Issuance of debt	3 482,8	5 006,8
Repayment of debt	(1 754,2)	(4 817,6)
Interest paid on debt	(754,9)	(702,3)
Proceeds from the sale of minority stake (purchase price adjustment)	(15,1)	-
Lease payment (principal) related to ROU (*)	(512,5)	-
Lease payment (interest) related to ROU (*)	(90,1)	-
Other cash (used in)/provided by financing activities (b)	(372,8)	35,8
Net cash flow provided (used) by financing activities	**(1 913,1)**	**(474,5)**
Net increase (decrease) in cash and cash equivalents	**740,9**	**(63,1)**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(12,0)	(25,3)
Cash and cash equivalents at beginning of period (*)	**1 068,5**	**451,3**
Cash and cash equivalents at end of period (*)	**1 797,3**	**362,8**

(*) The 2018 amounts have been restated following the harmonization of the presentation of the cash flow statement with Altice Europe N.V presentation and in order to provide a more relevant information in the cash flow statement:

- Cash now excludes bank overdrafts;
- Acquisitions and disposals of property, plant and equipment and intangible assets are now net of change in working capital;

Reconciliation between Capital expenditure and Payments to acquire tangible and intangible assets is provided in section 4.3 - Capital expenditure;

- The line "Payments to acquire interests in associates" has been added (included in "Payments for acquisition of consolidated entities, net of cash acquired" in previous version);
- The lines "Lease payment (principal) related to ROU" and "Lease payment (interest) related to ROU" have been added following the adoption of IFRS16 – *Leases.* Refer to section 1.2.3. The 2018 amounts related to finance leases were included in the line "other cash (used in) provided by financing activities" as detailed below.

a) Of which the net income from disposal of SFR FTTH : (€3,203.8 million) as of September 30, 2019;

Commercial paper	6,0	75,0
Reverse factoring	(77,9)	22,2
Securitization	(59,9)	(7,7)
Finance lease	-	(9,9)
Bank overdrafts	(17,4)	(29,4)
Transaction with non-controlling interests	(11,1)	-
Restructuring of swap instruments	189,7	157,2
Redemption fees	(29,6)	(129,6)
Advance to Altice Luxembourg SA	(92,5)	-
Advance to Altice Group Luxembourg SA	(175,0)	-
Other interests paid	(50,1)	(26,0)
Other	(55,1)	(16,0)
b) Other cash (used in)/provided by financing activities	(372,8)	35,8

Notes to the condensed interim consolidated financial statements

1. Basis of preparation

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 has adopted 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 (Libération, etc.) and NextRadioTV, which covers the Group's audiovisual activities in France (RMC Sport, BFM TV, BFM Business, BFM Paris, RMC, RMC Découverte,…). In 2018, it also insourced its major providers of technical and maintenance services and customer services (Altice Technical Services France and Altice Customer Services). It also improved its positioning in the French Overseas Territories market via the acquisition of Outremer Telecom.

As of December 31, 2018, Altice Europe directly or indirectly held 100% of the capital of Altice France S.A.

The condensed interim consolidated financial statements were prepared and approved by the Company's Board of Directors on November 7, 2019.

1.1. Basis of preparation of financial information

These condensed interim consolidated financial statements of the Group as of September 30, 2019 and for the nine-month period then ended, are presented in millions of Euros, except as otherwise stated, and have been prepared in accordance with International Accounting Standard (IAS) 34 - *Interim Financial Reporting*. They should be read in conjunction with the Group's 2018 annual consolidated financial statements and the notes which were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS") (the "annual consolidated financial statements").

The accounting policies applied for the condensed interim consolidated financial statements as of September 30, 2019 do not differ from those applied in the annual consolidated financial statements as of and for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019.

In addition, following the closing of the sale of 49.99% in SFR FTTH (Refer to Note 2.1 – *SFR FTTH*) and the network deployment and maintenance framework agreement between Altice France and SFR FTTH, the Group adopted the following accounting policies:

- The margin realised on intercompany transactions between Altice France and SFR FTTH (sales of assets from Altice France to SFR FTTH described in Note 16 – *Related party transactions*) are eliminated in the income statement up to Altice France's share in SFR FTTH based on the provision of IAS 28 – *Investments in Associates and Joint Ventures*.
- In the absence of precise IFRS guidance related to the presentation of the margin elimination in the income statement, the Group elects to eliminate the margin in the caption "Share of earnings of associates" in the consolidated statement of income in counterpart of the caption "Investment in associates" in the statement of financial position. The margin elimination on those transactions is reversed over the useful life of the assets in the same captions.

1.2. New standards and interpretations

1.2.1. Standards and interpretations applied from January 1, 2019

The following standards have mandatory application for periods beginning on or after January 1, 2019 as described in Note 2 – *Accounting policies and methods* to the annual consolidated financial statements.

- IFRS 16 – *Leases*, effective on January 1, 2019;
- Annual improvements cycle 2015-2017, effective on or after January 1, 2019;
- IFRS Interpretation Committee ("IFRIC") 23 – *Uncertainty over Income Tax Treatments*, applicable for annual periods beginning on or after January 1, 2019;

- Amendments to IFRS 9 – *Prepayments features with Negative Compensation*, effective on or after January 1, 2019;
- Amendments to IAS 28 – *Long term interests in Associates and Joint ventures*, effective on or after January 1, 2019;
- Amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*, effective on or after January 1, 2019.

The application of amendments to IAS 19, IAS 28, IFRS 9, annual improvements cycle 2015-2017 and IFRIC 23 had no material impact on the amounts recognised in the annual consolidated financial statements and had no material impact on the disclosures in these condensed interim consolidated financial statements.

Note 1.2.3 below describes the impact of the first adoption of IFRS 16 and the main changes in the Group's accounting policies relating to the first time application of IFRS 16.

1.2.2. 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, 2019 and that may impact the amounts reported:

- Amendments to IAS 1 and IAS 8 – *Definition of Material*, effective on or after January 1, 2020;
- Amendments to IFRS 3 – *Definition of a Business*, effective on or after January 1, 2020;
- Amendments to References to the Conceptual Framework in IFRS Standards, effective on or after January 1, 2020;
- Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7), effective on or after January 1, 2020.

The Board of Directors of the Company anticipates that the application of those amendments will not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

1.2.3. IFRS 16 – *Leases*

1.2.3.1 First adoption of IFRS 16 – *Leases*

IFRS 16 supersedes IAS 17 – *Leases*, IFRIC 4 – *Determining whether an Arrangement contains a Lease*, SIC 15 – *Operating Leases-Incentives* and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The change of definition of a lease mainly relates to the conception of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange of consideration.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, 2018 financial statements were not restated under the new standard.

The effect of adoption IFRS 16 as at January 1, 2019 increase / (decrease) is as follows:

Effect of adoption IFRS 16 (€m)	**January 1, 2019**
Intangible assets	(1.4)
Property, plant & equipment	(120.0)
Right of use	3,233.2
Trade and other receivables	(38.8)
Total assets	**3,073.0**

Equity	40.1
Non-current provisions	(40.0)
Deferred tax liabilities	18.9
Other non-current financial liabilities	(56.4)
Non-current liability related to rights of use	2,550.6
Other current financial liabilities	(22.9)
Current liability related to rights of use	663.0
Current provisions	(20.0)
Trade and other payables	(60.3)
Total liabilities	**3,073.0**

The Group has lease contracts related to mobile sites (land, space in cell towers or rooftop, agreement with towers company), network infrastructure (including local loop unbundling), buildings used for administrative or technical purposes and other assets (vehicles). Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under "Trade and other receivables" and "Trade and other payables", respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee. The Group recognised lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group:

- Right of use assets are reported separately in the statement of financial position.
- The recognition, measurement and disclosure requirements of IFRS 16 are also applied in full to short-term leases and leases of low-value assets.
- A distinction is made in leases that contain both lease components and non-lease components except for agreements for which the separation is impracticable (master service agreements with towers company).
- Application of the portfolio approach for the recognition and measurements of certain asset categories with similar characteristics (same residual value, same economic environment), mainly for local loop unbundling.
- Application of the standard to contracts that were previously identified as finance leases under IAS 17 / IFRIC 4 at the transition date (carry forward of existing finance lease liabilities).
- Calculate outstanding liability for existing operating leases using the incremental borrowing rate at date of transition.
- IFRS 16 is not applied to leases for intangible assets.
- The Group chooses to apply the relief option, which allows it to adjust the right of use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application.

Based on the aforementioned, as at January 1, 2019:

- Right of use assets of €3,233.2 million were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of €121.4 million that were reclassified from "Property, plant and equipment and intangible assets".
- Additional lease liabilities of €3,213.6 million (current and non-current) were recognised (including the reclassification of finance lease liabilities already recorded as of December 31, 2018 of €79.3 million).
- Trade and other receivables of €38.8 million and trade and other payables of €60.3 million related to previous operating leases were derecognised.
- Deferred tax liabilities increased by €18.9 million because of the deferred tax impact of the changes in assets and liabilities.
- Provision for onerous contract (current and non-current) was reclassified in reduction on right of use assets for €60.0 million.
- The net effect of these adjustments had been adjusted to equity for €40.1 million.

In addition, the Group is closely monitoring the work of IASB and the IFRS Interpretation Committee, aiming to clarify interpretation of IFRS 16, which could lead to a revision of the accounting policies applied by the Group.

In June 2019, the IFRIC issued a tentative agenda decision related to subsurface rights concluding that when a contract between a land owner and another party gives the other paty the right to place an oil pipeline in a specified undergroupd space, with the land owner retaining the right to use the surface area of the land above the pipeline, that contract contains a lease.

The Group assessment is still in progress and at this stage no material impact is expected as in most of the Group's contracts the supplier has a substantive right to substitute the asset throughout the period of use and therefore, the contracts do not contain a lease.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Reconciliation of lease liabilities (€m)	**January 1, 2019**
Operating lease obligations as at December 31, 2018	**2,048.9**
Period revised for IFRS 16 (a)	1,567.8
Other	(8.5)
Gross lease liability under IFRS as at January 1, 2019	**3,608.4**
Discounting effect	**(473.9)**
Lease liability as at January 1, 2019	**3,134.3**
Short term	*640.1*
Long term	*2,494.2*
Finance lease debt	**79.3**
Total Lease liabilities as of January 1, 2019	**3,213.6**
Short term	*663.0*
Long term	*2,550.6*

a) This line includes mainly the effect of renewal options not taken in the minimum lease payments as well as the unbundling local loop rental costs that were not included in the minimum lease payments.

The weighted average incremental borrowing rate as at January 1, 2019 is 3.66%.

1.2.3.2 Summary of new accounting policies upon adoption of IFRS 16

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of technical sites due to the significance of these assets to its operations.

1.2.4. Significant accounting judgments and estimates

In the application of the Group's accounting policies, the Board of Directors of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
These key areas of judgments and estimates, as disclosed in the annual consolidated financial statements are:

- Estimations of provisions for claims and restructuring plans;
- Measurement of post-employments benefits;
- Revenue recognition;
- Fair value measurement of financial instruments;
- Measurement of deferred taxes;
- Impairment of goodwill;
- Estimation of useful lives of intangible assets and property, plant and equipment; and
- Estimation of impairment losses for trade and other receivables.

As of September 30, 2019, there were no changes in the key areas of judgements and estimates except that, following the application of IFRS 16, judgements and estimates are made for the determination of lease terms and the discount rate:

- For the lease term, the Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
- The discount rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

2. Significant events of the period

2.1. SFR FTTH

On November 30, 2018, the Company announced that it had entered into an exclusivity agreement with Allianz Capital Partners, AXA Investment Managers - Real Assets, acting on behalf of its clients and OMERS Infrastructure (together the "Partners") regarding the sale of 49.99% equity stake in SFR FTTH for a total cash consideration of €1.8 billion based on an estimated €3.6 billion equity value at closing. As a consequence, the assets and liabilities were classified as held for sale as of December 31, 2018 (Refer to Note 3.5 of the Group's 2018 financial consolidated statements).

On March 27, 2019, the Group announced the closing of the transaction with a consortium led by OMERS Infrastructure and including AXA IM - Real Assets, and Allianz Capital Partners, regarding the sale of 49.99% equity stake in SFR FTTH. The consideration received was €1.7 billion based on a €3.4 billion equity value. The total capital gain recorded for the nine month period ended September 30, 2019, was €3,203.8 million. This partnership creates the leading FTTH infrastructure wholesaler in France and brings an additional €1.7 billion of cash to Altice France. Following the closing of the transaction, Altice France lost exclusive control over SFR FTTH as Altice France and the Partners have joint control over the new entity. Furthermore, SFR FTTH is accounted for under the equity method in the scope of IFRS 11 – *Joint Arrangements.*

2.2. Issuance of new debt instruments

On September 30, 2019, the Group issued new debt instruments for an aggregate euro equivalent amount of €2.54 million. The Group issued Euro Notes for an aggregate amount of €550 million due in 2025 and paying a coupon of 2.5%, €1,000 million due in 2028 and paying a coupon of 3.375% respectively and USD Notes for an amount of $1,100 million due in 2028 paying a coupon of 5.5%. At the same time, the Group also restructured the swap instruments associated with the 2024 USD Notes.

The proceeds from this issuance were used to repay the remainder of the 2024 Notes and in order to repay certain intercompany debts owed to Altice Luxembourg S.A. See Notes 12 – *Financial liabilities,* 13 – *Derivative instruments* and 21 – *Subsequent events*.

2.3. Dividend payments

On May 7, 2019, the general assembly of the Group approved the payment of a dividend for an aggregate amount of €820 million to its shareholders, Altice Luxembourg FR S.A., Altice Luxembourg FR bis S.à.r.l and Altice Europe N.V.; of the total amount, €500 million were paid in cash and €320 million via compensation of previous upstream loans.

On August 14, 2019, the general assembly of the Group approved the payment of an exceptional dividend for an aggregate amount of €1,050.0 million to its shareholders, Altice Luxembourg FR S.A., Altice Luxembourg FR bis S.à.r.l and Altice Europe N.V.; of the total amount, €300 million were paid in cash and €750 million via compensation of a previous upstream loan. Thus, the total dividends paid by the Group to its shareholders to date amount to €1,870 million.

2.4. Redemption of 2024 Notes

On June 10, 2019, the Group proceeded to partially reimburse its euro and dollar denominated notes due in 2024. An aggregate of €500 million and $560 million were reimbursed. The Group paid a call premium of €29.7 million as part of the redemption. The redemptions were treated as partial extinguishments of the debt instruments and per IFRS 9, unamortised transcation costs were recycled through the consolidated statement of income to the extent of the nominal repaid. The underlying derivative instruments were restructured as well.

On October 15 and 16 2019, the Group proceeded to reimburse the remainder of the 2024 USD and Euro Notes for an aggregate euro equivalent amount of €1,489 million (excluding accrued interests and call premia). The proceeds from the issuance on new debt described in 2.2 above were used to finance these redemptions.
Refer to Notes 12 – *Financial liabilities* and 13 – *Derivative instruments*.

2.5. Financing flows with Altice Group entities

On June 10, 2019, the Group issued a new dollar denominated loan for an aggregate amount of $840 million (€745 million equivalent). This loan was fully subscribed by Altice Luxembourg S.A. with an interest rate of 10.75% (5.8572% swapped to euros). The proceeds from this issuance were used to partially redeem the 2024 Notes as mentioned in Note 2.4.

On September 27, 2019, the Group fully redeemed the loan using a part of the proceeds from the issuance of new notes mentioned in 2.2 above. The net impact of this issuance was recorded in the line “Other flows from financial activities” in the consolidated statement of cash flows.

On July 30, 2019, the Group made an upstream loan to Altice Group Luxembourg S.A. for an aggregate amount of €175 million. The Group drew an equivalent amount on the Altice France revolving credit facility to finance the loan.

On September 27, 2019, the Group made an upstream loan to Altice Luxembourg S.A. for an aggregate amount of €92.5 million. The proceeds from the issuance of new debt (see 2.2 above) were used to finance this loan.

2.6. Disposal of Groupe L’Express

On July 19, 2019, the Board approved the sale of Groupe L’Express to Altice Group Luxembourg SA for a transaction value of €1 for the shares of Groupe L’Express and €1 for the Group’s receivables based on the

perspectives and business plan of Groupe L'Express. Following the announcement and the finalization of the term sheet of the transaction at the end of June 2019, the related asset and liabilities have been classified as held for sale in accordance with IFRS 5 as at June 30, 2019. This transaction was closed on July 30, 2019.
The disposal of Groupe l'Express has been definitively recorded as of September 30, 2019 with a net capital loss of €4 million in the caption "Other expense and income" in the income statement.

3. Change in scope

Over the period ended September 30, 2019, the changes in the consolidation scope are described as follows:

- Transfer of assets by SFR to SFR FTTH (of which the following DSP : Gravelines Network SAS, Debitex SAS, Loiret THD SAS, Oise Numérique SAS, Eure et Loir SAS, Valofibre SAS, Isère Fibre SAS, Martinique THD SAS, Connect 76 SAS, Gard Fibre SAS, Corsica Fibra SAS and Agglo la Rochelle THD SAS) followed by the loss of exclusive control in the company SFR FTTH which is accounted for under the equity method after being fully consolidated (Refer to Note 2 above);
- Creation of Altice France IO SAS;
- Creation of EOS Telecom SAS;
- Acquisition of 95% in SALT SA (TLM) renamed BFM Lyon Metropole SA;
- Transfer of all assets and liabilities ("Transmission Universelle de Patrimoine"; TUP) of SFR Collectivités SA to SFR SA;
- Transfer of all assets and liabilities ("TUP") of Libération Médias SARL to Altice Média Publicité SARL;
- Loss of exclusive control in the company SFR FTTH which is accounted for under the equity method after being fully consolidated;
- Liquidation of the company B3G International BV;
- Transfer of all assets and liabilities ("TUP") of Mobius SAS to Société Réunionnaise de Radiotéléphonie SCS;
- Acquisition under common control of Sudtel France SAS;
- Disposal of Groupe l'Express SA, l'Express Ventures SAS, Prélude et Fugue SAS and 01NetMag SAS;
- Acquisition of T2MP SAS;
- Creation of BFM Régions SAS;
- Creation of BFM Publicité SASU;
- Transfer of all assets and liabilities ("TUP") of Intelcia Service Client SA to TMG SAS;
- Acquisition of Intelcia Portugal SARL;
- Transfer of all assets and liabilities ("TUP") of OMT Ocean 1 SAS, OMT Ocean 2 SAS, OMT INVEST SAS and Groupe Outremer Telecom SAS to Altice Blue Two SAS;
- Transfer of all assets and liabilities ("TUP") of OMT Ocean 3 SAS to Altice France SA.

The consolidation scope updated is presented in Note 19 – *List of consolidated entities*.

4. Financial Key Performance Indicators ("KPIs")

The Board of Directors has defined certain financial KPIs that are tracked and reported by each operating segment every month to the senior executives of the Company. The Board of Directors believes that these indicators offer them the best view of the operational and financial efficiency of each segment and this follows best practices in the rest of the industry, thus providing investors and other analysts a suitable base to perform their analysis of the Group's results.
The financial KPIs tracked by the Board of Directors are:

- Adjusted EBITDA;
- Revenues;
- Capital expenditure ("Capex"); and
- Operating free cash flow ("OpFCF").

Non-GAAP measures

Adjusted EBITDA, Capex and OpFCF are non-GAAP measures. These measures are useful to readers of Altice's financial statements as they provide a measure of operating results excluding certain items that Altice's management believe are either outside of its recurring operating activities, or items that are non-cash. Excluding such items enables trends in the Group's operating results and cash flow generation to be more easily observable. The non-GAAP measures are used by the Group internally to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. Such performance measures are also, de facto, the metrics used by investors and other members of the financial community to value other companies operating in the same industry as the Group and thus are a basis for comparability between the Group and its peers. Moreover, the debt covenants of the Group are based on the Adjusted EBITDA and other associated metrics. The definition of Adjusted EBITDA used in the covenant has not changed with the adoption of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 16 – *Leases* by the Group.

- *Adjusted EBITDA*

  Following the application of IFRS 16, Adjusted EBITDA is defined as operating income before depreciation and amortization, other expenses and incomes (capital gains, non-recurring litigation, restructuring costs) and share-based expenses and after operating lease expenses (i.e., straight-line recognition of the rent expense over the lease term as performed under IAS 17 for operating lease). This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating income as the effects of depreciation, amortization and impairment, excluded from Adjusted EBITDA, do ultimately affect the operating results. Operating results presented in the annual consolidated financial statements are in accordance with IAS 1 – *Presentation of Financial Statements*.

- *Capex*

  Capex is an important indicator to follow, as the profile varies greatly between activities:
  - The fixed business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).
  - Mobile Capex is mainly driven by investment in new mobile sites, upgrade to new mobile technology and licenses to operate; once engaged and operational, there are limited further Capex requirements.
  - Other Capex is mainly related to costs incurred in acquiring content rights.

- *Operating free cash flow*

  OpFCF is defined as Adjusted EBITDA less Capex. This may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating cash flow as presented in the consolidated statement of cash flows in accordance with IAS 1 – *Presentation of Financial Statements*.

4.1. Revenue

The breakdown of revenue is detailed as follows:

Revenue (€m)	**September 30, 2019**	**September 30, 2018**
Residential - Fixed	1,868.6	1,902.6
Residential - Mobile	2,637.4	2,610.4
Business services	2,346.7	2,103.4
Total Telecom excl. equipment sales	**6,852.7**	**6,616.3**
Equipment sales	637.2	615.3
Media	320.7	328.5
Total	**7,810.5**	**7,560.0**

“Residential” corresponds to B2C services revenues, excluding equipment.
“Business services” includes revenues from B2B and wholesale including construction of the FTTH Network and excluding revenues from equipment and Media presented in the line below.
“Equipment sales” relates to equipment revenues from B2B and B2C.

4.2. Adjusted EBITDA

The following table shows the reconciliation of the operating income in the condensed interim consolidated financial statements to Adjusted EBITDA:

Operating Profit (€m)	September 30, 2019	September 30, 2018
Revenues	**7,810.5**	**7,560.0**
Purchasing and subcontracting costs	(2,072.5)	(2,446.1)
Other operating expenses	(1,356.7)	(1,687.8)
Staff costs and employee benefits	(745.5)	(650.8)
Total	**3,635.8**	**2,775.3**
Share-based expenses	2.9	0.6
Rental expense operating lease	(558.4)	-
Adjusted EBITDA	**3,080.4**	**2,775.9**
Depreciation, amortization and impairment (a)	(2,491.6)	(1,911.9)
Share-based expenses	(2.9)	(0.6)
Other expenses and income (b)	3,094.2	(323.6)
Rental expense operating lease	558.4	-
Operating profit	**4,238.4**	**539.8**

a) In 2019, this amount includes the depreciation, amortization and impairment related to rights of use (€(542) million), following the adoption of IFRS 16;
b) As of September 30, 2019, mainly includes the capital gain (income) due to the loss of control in SFR FTTH (€3,203.8 million), compared to an expense related to the break-up fee with Altice Entertainment News & Sport (€(300) million) as of September 30, 2018.

4.3. Capital expenditure

The table below reconciles capital expenditure to the payments to acquire capital items (tangible and intangible assets) as presented in the consolidated statement of cash flows.

Capital expenditure (€m)	September 30, 2019	September 30, 2018
Capital expenditure (accrued)	1,676.1	1,659.6
Capital expenditure - working capital items	62.6	86.6
Payments to acquire tangible and intangible assets	**1,738.7**	**1,746.1**

4.4. Adjusted EBITDA less accrued Capex

The table below details the calculation of Adjusted EBITDA less accrued Capex or operating free cash flows (“OpFCF”), as presented to the Board of Directors. This measure is used as an indicator of the Group’s financial performance as the Board of Directors believes it is one of several benchmarks used by investors, analysts and peers for comparison of performance in the Group’s industry, although it may not be directly comparable to similar measures reported by other companies. Adjusted EBITDA and accrued Capex are both reconciled to GAAP reported figures in this note; this measure is a calculation using these two non-GAAP figures, therefore no further reconciliation is provided.

Adjusted EBITDA less accrued Capex (€m)	September 30, 2019	September 30, 2018
Adjusted EBITDA	3,080.4	2,775.9
Capital expenditure (accrued)	(1,676.1)	(1,659.6)
Operating free cash flows	**1,404.3**	**1,116.4**

5. Financial income

Net finance costs amounted to €1,011.0 million for the nine months ended September 30, 2019, registering an increase of 25.4% compared to €806.4 million for the nine months ended September 30, 2018. A breakdown is provided below:

Financial Income (€m)	**September 30, 2019**	**September 30, 2018**
Interest relative to gross financial debt	**(628.3)**	**(585.8)**
Realized and unrealized gains/(loss) on derivative instruments linked to financial debt	**(115.3)**	**0.7**
Finance income	**3.3**	**5.0**
Provisions and unwinding of discount	(2.3)	(18.4)
Interest related to lease liabilities	(90.1)	-
Other	(99.3)	(62.6)
Other financial expenses	**(191.6)**	**(81.0)**
Net result on extinguishment of a financial liability	**(79.1)**	**(145.2)**
Finance costs, net	**(1,011.0)**	**(806.4)**

The interest relative to gross financial debt increased from €585.1 million as of September 30, 2018 to €743.6 million as of September 30, 2019. This increase was mainly driven by:

- An increase in our cost of debt related to the refinancing from July and August 2018 (€42.5 million) (increase in nominal of €215 million).
- A negative variation in the fair value of derivative instruments that are recorded through the statement of income (€116 million, which includes an FX loss of €41.7 million on the redemption of the 2024 Notes).

As of September 30, 2019 all fees related to refinancings were restated to the line item, “Net result on extinguishment of a financial liability”.

As of September 30, 2019, the other financial expenses line item includes the accrued interest and realized FX loss on the redemption of the $840 million intercompany loan with Altice Luxembourg for an amount of €47.7 million.

6. 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).

7. Investments in associates and joint ventures

The change as of September 30, 2019 is analysed as follows:

Change of the Investments in Associates and Joint Ventures (€m)	
Opening balance	**19.8**
Capital increase (a)	19.6
Change in scope (b)	1,707.9
Dividends paid	(0.6)
Profit/Loss	(121.4)
Other	(2.2)
Closing balance	**1,623.1**

a) Related to La Poste Telecom;

b) Following the closing of the sale of a 49.99% equity stake in SFR FTTH, the carrying value of the remaining investment in SFR FTTH as at September 30, 2019 was €1.6 billion. Refer to Note 2.1 – *SFR FTTH.*

8. Other non-current assets

Other non-current assets are detailed as follows:

Other Non-Current Assets (€m)	**September 30, 2019**	**December 31, 2018**
Derivative financial instruments (a)	1,100.5	1,027.2
Other (b)	278.5	89.2
Non-current financial assets	**1,379.0**	**1,116.3**
Other non-current assets (c)	261.6	265.5
Other non-current assets	**1,640.6**	**1,381.8**

a) Of which €1,091.4 million related to swaps (Refer to Note 13 – *Derivative instruments*) and €9.1 million related to the call option linked to ACS, as of September 30, 2019 respectively compared to €1,017.5 million related to swaps and €9.7 million related to the call option linked to ACS as of December 31, 2018;
b) Includes mainly a loan to Altice Groupe Luxembourg SA (€175 million) and deposits;
c) Includes mainly non-current prepaid expenses.

9. Current financial asset

Current Financial Assets (€m)	**September 30, 2019**	**December 31, 2018**
Escrow account SFR FTTH	55.0	-
Advance to Altice Luxembourg S.A. (a)	92.5	-
Advance to Tofane	3.8	-
Deposit	-	0.1
Other	3.9	2.2
Current financial assets	**155.1**	**2.2**

a) Refer to Note 2.5 - *Financing flows with Altice Group entities.*

10. Cash and cash equivalents

Cash and cash equivalents are broken down below:

Cash and Cash Equivalent (€m)	**September 30, 2019**	**December 31, 2018**
Cash	1,023.5	741.8
Cash equivalents (a)	773.8	326.6
Cash and cash equivalents	**1,797.3**	**1,068.5**

a) Cash equivalents mainly consisted of money-market funds.

11. Equity

As of September 30, 2019, Altice France's share capital amounted to €443,706,618 comprising 443,706,618 ordinary shares with a par value of €1 each. There was no change on share capital over the nine-month period. The Group does not hold treasury shares.

The Shareholders' Meeting of May 7, 2019 approved an exceptional dividend distribution at €1.85 per share, for an aggregate amount of €820 million, which was deducted from the "additional paid-in capital" caption.
The Shareholders' Meeting of August 14, 2019 approved an exceptional dividend distribution at €2.37 per share, for an aggregate amount of €1,050 million, which was deducted from the "additional paid-in capital" caption.

The Group did not pay dividends to its shareholders during the fiscal years 2016, 2017 and 2018.

12. Financial liabilities

12.1. Financial liabilities breakdown

Financial liabilities breakdown as follows:

Financial Liabilities breakdown (€m)	Current		Non-current		Total	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Bonds	1,613.6	278.5	9,889.4	9,474.4	11,503.0	9,752.9
Loans from financial institutions	330.7	81.4	7,371.7	7,167.3	7,702.3	7,248.7
Derivative financial instruments	-	-	440.1	794.1	440.1	794.1
Borrowings, financial liabilities and related hedging instruments	**1,944.3**	**359.9**	**17,701.2**	**17,435.8**	**19,645.5**	**17,795.8**
Finance lease liabilities *	17.4	22.9	43.0	56.4	60.4	79.3
Operating lease liabilities	634.4	-	2,172.5	-	2,806.9	-
Lease liabilities	**651.8**	**22.9**	**2,215.5**	**56.4**	**2,867.3**	**79.3**
Perpetual subordinated notes ("TSDI")	-	-	55.8	53.0	55.8	53.0
Deposits received from customers	34.4	37.2	168.5	162.4	202.9	199.6
Bank overdrafts	21.9	39.2	-	-	21.9	39.2
Securitization	169.6	229.5	-	-	169.6	229.5
Reverse factoring	522.0	600.0	-	-	522.0	600.0
Commercial paper	113.0	107.0	-	-	113.0	107.0
Other (a)	79.1	50.3	88.2	95.6	167.3	145.9
Other financial liabilities	**940.0**	**1,063.1**	**312.6**	**310.9**	**1,252.5**	**1,374.1**
Financial liabilities	**3,536.0**	**1,445.9**	**20,229.4**	**17,803.2**	**23,765.3**	**19,249.1**

** As of September 30, 2019, the opening balances of finance lease liabilities were reclassified from "Other financial liabilities" to "Financial liabilities related to rights of use".*

a) As of September 30, 2019, this amount includes:
- €50.1 million of liabilities related to the acquisition of the minority interests (of ERT Luxembourg for €41.1 million and Icart €9.0 million), compared to €67.1 as of December 31, 2018 (of ERT Luxembourg for €52.1 million and Icart €15.0 million);
- €29.8 million related to the put option on ACS's minority interests.

Financial liabilities issued in US dollars are converted at the following closing rate:
- As of September 30, 2019: €1 = 1.0903 USD
- As of December 31, 2018: €1 = 1.1452 USD

For the nine months ended September 30, 2019, variations in financial debt are listed below:
- On June 10, 2019, the Group proceeded to partially redeem 40% of its 2024 EUR and USD Notes. The impacts are listed below:
  - €500 million reimbursed at a call premium of 2.813% (€14.0 million);
  - $560 million (€495.5 million equivalent) at a call premium of 3.125% ($17.5 million or €15.5 million equivalent).
- On June 10, 2019, the Group also issued an $840 million fully subscribed by Altice Luxembourg S.A. bearing a semi annual coupon of 10.5% (5.8572% swapped into euros), the proceeds from which were used to partially redeem the 2024 Notes.

- On September 27, 2019, the Group issued the following new bonds for an aggregate euro equivalent amount of €2,545 million:
  - €550 million Notes due in 2025 and bearing a coupon of 2.5%;
  - €1,000 million Notes due in 2028 and bearing a coupon of 3.375%;
  - $1,100 million Notes due in 2028 and bearing a coupon of 5.5%.

All the Notes were issued at par with an issuance fee of 0.5% per instrument.

- On September 27, 2019, the Group used a portion of the new debt to:
  - Fully redeem the $840 million Notes (including accrued interest from the date of issuance) for an aggregate amount of $866.95 million (€792.8 million equivalent);

- Pay an accrued dividend of €175 million (portion of the €1,050 million dividend approved by the general assembly of the Group in August 2019);
- Make a new upstream loan of €92.5 million to Altice Luxembourg S.A.

As of September 30, 2019, the remainder of cash issued from the new debt issued by the Group was held on balance sheet in order to fully redeem the remainder of the 2024 Notes (€750 million and $815 million). The carrying amount of these debts was restated to current debt for the nine months ended September 30, 2019.

As of September 30, 2019, the Group considers that as it had the intention to fully repay the remaining portion of the 2024 Notes, the call premia associated with the redemption, as well as unamortised deferred financing costs were fully recorded via the statement of income. For the nine months ended September 30, 2019, and including the impact of the partial redemption of the 2024 Notes in June 2019, the Group recorded €79.1 million as costs of extinguishment of debt (of which €74 million pertaining to call premia and €5.1 million related to the accelerated amortization of deferred financing costs).

As a result of the redemptions listed above, the Group also reallocated its swap portfolio in order to manage the FX and interest rate risk on the new $1,100 million debt in accordance with its risk management strategy (Refer to Note 13 – *Derivative instruments*).

12.2. Net financial debt

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

Net Financial Debt (€m)	**September 30, 2019**	**December 31, 2018**
Bonds	11,421.6	9,510.7
Loans from financial institutions	7,837.4	7,380.8
Finance lease liabilities	60.4	79.3
Commercial paper	113.0	107.0
Bank overdrafts	21.9	39.2
Other	72.9	87.1
Financial Liabilities contributing to net financial debt (a)	**19,527.2**	**17,204.1**
Cash and cash equivalents	1,797.3	1,068.5
Net derivative instruments - currency translation impact	1,388.6	976.7
Financial Assets contributing to net financial debt (b)	**3,186.0**	**2,045.2**
Net financial debt (a) – (b)	**16,341.2**	**15,159.0**

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 12.3 – *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 impact (€1,388.6 million as of September 30, 2019 and €976.7 million as of December 31, 2018). The fair value of derivatives related to the interest rate impacts €(737.4) million as of September 30, 2019 and €(753.4) million as of December 31, 2018 is not included.

12.3. Reconciliation between net financial liabilities and net financial debt

In compliance with IAS 7 amendments, the following table shows the reconciliation between net financial liabilities in the consolidated statement of financial position and the net financial debt:

Reconciliation between Net Financial Liabilities and Net Financial Debt (€m)	**September 30, 2019**	**December 31, 2018**
Financial liabilities	23,765.3	19,249.1
Cash and cash equivalents	(1,797.3)	(1,068.5)
Derivative instruments classified as asset (a)	(1,091.4)	(1,017.5)
Net financial debt - consolidated statement of financial position	**20,876.6**	**17,163.2**
Reconciliation :		
Lease liabilities	(2,806.9)	-
Net derivative instruments - rate impact	(737.4)	(753.4)
Accrued interest	(149.0)	(316.3)
EIR	208.8	219.7
Perpetual subordinated notes ("TSDI")	(55.8)	(53.0)
Deposits received from customers	(202.9)	(199.6)
Securitization	(169.6)	(229.5)
Reverse factoring	(522.0)	(600.0)
Accrual of call premium for Notes 2024	(44.5)	-
Debt on share purchase	(45.1)	(45.1)
Dividend to pay	(2.1)	(1.9)
Current accounts	(0.8)	(0.9)
Other	(8.2)	(24.3)
Net financial debt	**16,341.2**	**15,159.0**

a) Excluding the fair value of ACS Call (refer to Note 8 – *Other non-current assets).*

13. Derivative instruments

The following table shows the derivative instruments fair value:

Type (€m)	**Underlying element**	**September 30, 2019**	**December 31, 2018**
Cross-currency Swaps	2024 USD bonds	-	116.5
	2026 USD bonds	457.3	88.6
	2027 USD bonds	299.2	165.1
	2028 USD bonds	8.5	-
	January 2026 USD term loan	56.3	(31.6)
	July 2025 USD term loan	209.6	132.2
	August 2026 USD term loan	(0.5)	(49.6)
	Fixed rate - Floating rate USD	(314.1)	(160.7)
Interest rate swaps	Fixed rate - EURIBOR 3 months	(51.0)	(11.1)
	Swap EURIBOR 1 month - EURIBOR 3 months	(14.0)	(26.1)
	Derivative instruments classified as assets (a)	1,091.4	1,017.5
	Derivative instruments classified as liabilities	(440.1)	(794.1)
	Net Derivative instruments	**651.3**	**223.3**
	o/w currency effect	1,388.6	976.7
	o/w interest rate effect	(737.4)	(753.4)

a) Excluding the fair value of ACS Call (€9.1 million in 2019 and €9.7 million in 2018).

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).

For the nine months ended September 30, 2019, the following changes were made to the Group's derivative instruments:

Following the partial redemption of its 2024 USD Notes, the Group reallocated part of the cross currency swaps associated with the 2024 USD Notes to the new Altice Luxembourg Notes. The Group also entered into new cross currency swaps in order to fully hedge the risk on the nominal of new loan. The new allocation/swaps are presented below:

- $561 million reallocated from the 2024 USD Notes to the $840 million Altice Luxembourg Notes at an average swap rate of 1.2898 with a USD receiving rate of 6.125% and an average Euro paying rate of 5.3427%;
- New CCS with a nominal of $200 million/€175 million with a USD receiving rate of 10.5% and a euro paying rate 7.86%;
- New CCS with a nominal of $76 million/€69 million with a USD receiving rate of 7.75% and a euro paying rate 4.52%.

On September 27, 2019, following the issuance of the new 2028 USD Notes ($1,100 million), intended for the full redemption of the remaining 2024 USD Notes ($815 million), the Group completely restructured the cross currency swaps associated with the 2024 USD Notes. The details are given below:

- CCS with certain counterparties were terminated with a nominal exchange. The Group received $496.9 million and paid euros €365.9 million. The Group recognized an exchange gain of €88.4 million (€80.3 million net of break fees).
- CCS for a nominal amount of $878.1 million were reset to market conditions and reallocated to the 2028 Notes with a monetization of the latent capital gain. The Group received €116.3 million as part of this restructuring.
- The new CCS with a nominal of $76 million referenced above was restructured as well and allocated to the 2028 Notes with a USD receiving rate of 5.5% and a euro paying rate of 2.99%.
- Two new CCS were executed and allocated to the 2028 USD Notes:
    - Nominal of $66.6 million/€59.8 million with a USD receiving rate of 5.5% and a Euro paying rate of 3.35%;
    - Nominal of $79.6 million/€72.0 million with a USD receiving rate of 5.5% and a Euro paying rate of 3.335%.

Following the restructurings described above, the 2028 USD Notes were fully hedged with new CCS with the details given below:

- Nominal of $1,100 million/€995.6 million (with an average USD/EUR rate of 1.1049) with a USD receiving rate of 5.5% and an average EUR paying rate of 3.3219%.

The Group has chosen not to qualify the new CCS allocated to the 2028 Notes as cash flow hedges. The variation in the fair value of these instruments was hence recorded through the statement of income for the nine months ended September 30, 2019.

14. Fair value of financial instruments

Fair Value of Financial Instruments (€m)	September 30, 2019 Net carrying amount	September 30, 2019 Fair value	December 31, 2018 Net carrying amount	December 31, 2018 Fair value
Assets				
Trade and other receivables excluding prepaid expenses	3,256.7	3,256.7	3,394.2	3,394.2
Derivative instruments classified as assets (a)	1,100.5	1,100.5	1,027.2	1,027.2
Other non-current financial assets	278.5	278.5	89.0	89.0
Other non-current assets excluding prepaid expenses	5.1	5.1	6.2	6.2
Current financial assets	155.1	155.1	2.2	2.2
Cash and cash equivalents	1,797.3	1,797.3	1,068.5	1,068.5
Liabilities				
Non-current borrowings and financial liabilities	17,261.1	17,969.5	16,641.7	16,095.1
Derivative instruments classified as liabilities	440.1	440.1	794.1	794.1
Non-current lease liabilities [1]	2,215.5	2,215.5	56.4	56.4
Other non-current financial liabilities	312.6	312.6	310.9	310.9
Other non-current liabilities	62.2	62.2	50.4	50.4
Current borrowings and financial liabilities	1,944.3	1,944.3	359.9	359.9
Current lease liabilities [1]	651.8	651.8	22.9	22.9
Other current financial liabilities	940.0	940.0	1,063.1	1,063.1
Trade and other payables	4,771.1	4,771.1	5,558.0	5,558.0
Other current liabilities	78.0	78.0	42.8	42.8

[1] As of September 30, 2019, the opening balances of finance lease liabilities were reclassified from "Other financial liabilities" to "Liability related to right of use", for respectively €56.4 million and €22.9 million in non-current and current financial liabilities.

a) Of which the fair value of ACS Call (€9.1 million in 2019 and €9.7 million in 2018).

No significant event occurred in the nine-month period ended September 30, 2019 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).

15. Provisions

The following table details the amount of provisions:

Provisions (€m)	September 30, 2019 Opening	Addition	Utilization	Reversal and changes of accounting estimates	Other (c)	Closing
Employee benefit provisions	131.9	9.4	(0.6)	(0.3)	23.3	163.7
Restructuring charges	24.6	0.7	(4.2)	(0.5)	0.0	20.7
Technical site restoration (a)	88.3	-	(0.1)	-	0.3	88.6
Litigation and other (b)	448.0	27.0	(129.7)	(30.6)	(69.5)	245.3
Provisions	**692.9**	**37.1**	**(134.5)**	**(31.4)**	**(45.8)**	**518.3**
Current	*216.5*	*13.3*	*(82.7)*	*(21.7)*	*6.0*	*131.4*
Non-current	*476.4*	*23.8*	*(51.8)*	*(9.6)*	*(51.9)*	*386.9*

a) 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;

b) 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. All provisioned disputes are currently awaiting hearing or motions in a court. The unused portion of provisions recognised 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;

c) Of which the impact of a decrease in the discount rate on employee benefit provision (€26 million) and the reclassification of a provision for onerous contract to a right of use impairment (€(60)million) following the adoption of IFRS16.

The table for fiscal year 2018 is presented below:

Provisions (€m)	December 31, 2018 Opening	Addition	Utilization	Reversal and changes of accounting estimates	Other	Closing
Employee benefit plans	124.1	12.6	(3.5)	(0.1)	(1.2)	131.9
Restructuring	45.9	7.9	(24.3)	(4.7)	(0.2)	24.6
Technical site restoration	97.0	3.8	(8.4)	(0.2)	(3.8)	88.3
Litigation and other	559.0	142.0	(81.6)	(184.4)	13.1	448.0
Provisions	**826.0**	**166.2**	**(117.8)**	**(189.4)**	**7.9**	**692.9**
Current provisions	*349.6*	*83.1*	*(83.0)*	*(148.6)*	*15.3*	*216.5*
Non-current provisions	*476.3*	*83.1*	*(34.8)*	*(40.8)*	*(7.4)*	*476.4*

16. 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 Europe, 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 condensed interim consolidated financial statements. Details of transactions between the Group and other related parties are disclosed below.

16.1. Shareholders

As of September 30, 2019, the overview of these transactions was as follows:

Related Parties Transactions - Shareholders (€m)	September 30, 2019	December 31, 2018
Assets	**718.6**	**65.0**
Non-current financial assets	175.0	-
Non-current operating assets (a)	381.4	-
Current financial assets	92.5	-
Current operating assets	69.7	65.0
Liabilities	**490.4**	**156.9**
Non-current financial liabilities (b)	384.3	-
Current financial liabilities (b)	41.9	-
Operating liabilities	64.1	156.9

a) Right of use – Assets (€368.8 million)
b) Right of use – Liabilities (€376.8 million)

The amounts related to right of use concern the transaction with Quadrans (which is majority owned by the Company's controlling shareholder). This transaction is now recorded under IFRS16 – *Lease*s.

These amounts do not include the financial liability towards Altice Luxembourg FR SA disclosed in Note 12.3 – *Reconciliation between net financial liabilities and net financial debt.*

Related Parties Transactions - Shareholders (€m)	September 30, 2019	September 30, 2018
Operating income	56.8	51.8
Operating expenses	175.4	435.6
Financial expenses (c)	40.8	2.9
Net income (loss)	**(159.4)**	**(386.7)**

c) Interests on right of use liabilities (€15.8 million).

As of September 30, 2019, the significant changes in the statement of income compared to September 30, 2018 concern:

- Decrease in purchase of customer services from Altice Management International and Intelcia (consolidated since May 2018): €41.5 million;
- Decrease in purchase of TV channels programs, including sports channel (related to the restructuring of sports content contracts with Altice Entertainment News and Sports - Refer to Note 4 – *Significant events of the period* of 2018 consolidated financial statements): € 175 million.

These expenses include management fees from Altice Europe (€37.9 million as of September 30, 2019 compared €14.8 million as of September 30, 2018).

Investments made amount to €19.7 million as of September 30, 2019 compared to €129.9 million as of September 30, 2018. The decrease in investments is mainly due to the fully consolidation of ATSF entities since May 2018; these entities invoice construction and deployment of network to Altice France telecom entities.

16.2. Associates and joint ventures

The main transactions with equity associates (EA) and joint ventures (JV) relate to:

- La Poste Telecom SAS (EA) as part of its telecommunication activities;
- Synerail SAS (JV) as part of the GSM-R public-private partnership;
- SFR FTTH SAS (JV) and its subsidiaries as part of the network deployment in AMII zones.

Associates and Joint Ventures (€m)	**September 30, 2019**	**December 31, 2018**
Assets	**156.3**	**64.0**
Non-current assets	11.3	12.7
Current assets	145.0	51.3
Liabilities	**70.7**	**2.8**
Non-current liabilities	-	-
Current liabilities	70.7	2.8

Associates and Joint Ventures (€m)	**September 30, 2019**	**September 30, 2018**
Statement of income	**503.3**	**72.7**
Revenue	528.1	93.3
Operating expenses	25.0	20.6
Financial income	0.2	-

17. Commitments and contractual obligations

During the nine-month period ended September 30, 2019, the Group entered into an exclusive network deployment and maintenance agreement with SFR FTTH (with binding volume commitments), to deply plugs in low dense areas and public initiave network concessions transferred to SFR FTTH.

The Group has retained the commitments that it entered into an agreement with the French state as described in the notes to the consolidated financial statements for the year ended December 31, 2018. However the exclusivity of the contract signed with SFR FTTH guarantees that the Group will have the means to deliver on the commitments provided to the French state.

18. 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.

There was no significant development in existing litigation or new litigation since the publication of the 2018 annual consolidated financial statements that have had, or that may have, a significant effect on the financial position of the Group, except the litigation described below:

Claim from a competitor concerning the acquisition of Virgin Mobile by the Group
On April 5, 2019, Altice France and Altice Luxembourg, *inter alios*, received a claim from a competitor stating that the practices sanctioned by the French Competition Authority in November 2016 in the Numéricable/SFR/Virgin Mobile gun jumping case caused said competitor to lose the tender process for the acquisition of Virgin Mobile. The competitor is now seeking €216 million in monetary damages. The Group is in the process of assessing the merits of the claim and expects to challenge the claim in proceedings recently initiated by the competitor.

Concerning existing litigation, refer to Note 33 – *Litigation* of the annual consolidated financial statements 2018.

19. Entity consolidating the financial statements

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

20. Subsequent events

Redemption of 2024 Notes

On October 15 and 16 2019, the Group completed the planned redemption of the remaining portion of the 2024 USD ($815 million) and EUR Notes (€750 million) for an aggregate euro equivalent amount of €1,489.8 million. The Group also paid a call premium of €44.5 million as part of the early redemption. The redemption was financed using the cash held on balance sheet as of September 30, 2019, resulting from the issuance of new debt in September 2019.