MANAGEMENT'S DISCUSSION AND ANALYSIS

ALTICE FRANCE

FOR THE YEAR ENDED DECEMBER 31, 2017

Contents

Basis of Presentation

The discussion and analysis for each of the periods presented is based on the financial information derived from the audited consolidated financial statements as of and for the year ended December 31, 2017.

Please refer to the Glossary for a definition of the key financial terms discussed and analysed in this document.

Disclaimers:

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the consolidated financial statements of Altice France as of and for the year ended December 31, 2017, including the accompanying notes. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties.

Unless the context otherwise requires, when used in this section, the terms "we," "our," "Company," the "Group," and "us" refer to the business constituting the Group as of December 31, 2017, even though we may not have owned such business for the entire duration of the periods presented.

The Group applies International Financial Reporting Standards (IFRS) as endorsed in the European Union. Adjusted EBITDA and Capex are not defined in IFRS, they are "non-GAAP measures". Management believes that these measures are useful to readers of Altice France's financial statements as they provide 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. Moreover, our debt covenants are based on Adjusted EBITDA and other associated metrics.

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, network upgrades, competition, acquisitions and integration of acquired businesses, disposals, macro-economic and political risks in the areas where we operate, our pricing and cost structure, churn and the introduction of new products and services, including multi-play services.

Acquisitions and Integration of Businesses

We have from time to time made significant direct and indirect equity investments in, and divestments of, several cable and telecommunication businesses and ancillary service providers in various jurisdictions. Due to the significant nature of certain of these acquisitions, the comparability of our results of operations based on the Historical Consolidated Financial Information may be affected.

Our revenues for the year ended December 31, 2017 decreased by 0.7% to €10,916 million, from €10,991 million for the year ended December 31, 2016. Adjusted EBITDA decreased by 3.2% to €3,714 million, from €3,838 million for the year ended December 31, 2016. The decreases in revenues and Adjusted EBITDA were significantly impacted by such acquisitions and disposals. See "*—Discussion and Analysis of Our Results of Operations—Year Ended December 31, 2017 compared to the Year ended December 31, 2016—Significant Events Affecting Historical Results*".

At the core of Altice France's strategy is a return to revenue, profitability and cash flow growth and, as a result, deleveraging. Altice France benefits from a unique asset base which is fully-converged, fiber rich, media rich, active across consumers and businesses and holds the number two positions in its markets with nationwide coverage. The reinforced operational focus offers significant value creation potential. In parallel, Altice France is advancing with its preparations for the disposal of non-core assets. Key elements of the Altice France's growth and deleveraging 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 Altice France's 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 Altice France's mobile tower portfolio

In the year ended December 31, 2017 and 2016, we incurred restructuring and other non-recurring costs of €980 million and €432 million, respectively, which primarily include 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. In addition, we generally record goodwill relating to such acquisitions. As of December 31, 2017, the goodwill recorded on our balance sheet amounted to €11,199 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit/net operating income. For the year ended December 31, 2017, we did not incur any impairment losses.

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 cable/fiber 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 France, we 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.

In addition, we regularly review and invest in the content that we offer to provide our subscribers with a flexible and diverse range of programming options, including high-quality local content and exclusive premium content. The Altice group has acquired the exclusive rights to broadcast and distribute various premium sporting events, including the English Premier League, French Basketball League and English Rugby Premiership, which are commercialised in France via exclusive SFR branded channels. Moreover, in May 2017, the Group successfully acquired the exclusive rights to broadcast UEFA Champions League and UEFA Europa League fixtures in France These rights cover the period from August 2018 to May 2021. Sports events are broadcasted in France by the Altice France Group through channels packaged and distributed by AENS. In 2016, the Altice France Group and AENS entered into a distribution agreement regarding a package of sports and news channels. 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 our differentiated and convergent communication services from those of our competitors. We believe that such efforts will reduce our customer churn and increase ARPU.

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. We have also achieved, and expect to continue to achieve, substantial reductions in our operating expenses as we implement uniform best practice operational processes across our organization. As a result, we have generally managed to achieve growth in the Adjusted EBITDA, profitability and operating cash flow of businesses that we have acquired.

We make expansion-related capital expenditure decisions by applying strict investment return and payback criteria. For two years running, we have incurred significant capital expenditure (between 22-23% of total consolidated revenues) in order to improve to improve our mobile network and to roll out new fiber homes (we are the market leader in very high-speed internet 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.

Network Upgrades

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. During 2015, 2016 and 2017, we have increased our fiber deployment and upgraded a substantial part of our cable networks. For example, as of December 31, 2017, 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. In France, the Group accelerated the build-out of its 4G network over the last two years to have a market-leading mobile network in place by the end of 2017 (4G population coverage of 95%). 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 Group experiences a shift from fixed line telephony to mobile telephony and 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 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.

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 USD and variable interest rates as part of our debt obligations. However, we have entered into hedging operations to mitigate risk related to variations in USD 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.

Discussion and Analysis of Our Results of Operations

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 and as a percentage of revenues for the periods in question:

(in € millions)	December 31, 2017	December 31, 2016	Change
Revenues	**10,916**	**10,991**	***(0.7)%***
Purchasing and subcontracting	(4,026)	(3,961)	*1.6%*
Other operating expenses	(2,308)	(2,263)	*2.0%*
Staff costs and employee benefit expenses	(877)	(945)	*(7.2)%*
Depreciation, amortization and impairment	(2,754)	(2,435)	*13.1%*
Non-recurring income and expenses	(980)	(432)	*126.7%*
Operating income	**(28)**	**954**	***(103.0)%***
Financial income	209	10	*1990.0%*
Cost of gross financial debt	(1,099)	(1,043)	*5.4%*
Other financial expenses	(177)	(78)	*127.6%*
Net financial income (expense)	**(1,068)**	**(1,111)**	***(3.9)%***
Share in net income (loss) of associates	(11)	(4)	*174.5%*
Income (loss) before taxes	**(1,107)**	**(161)**	***586.8%***
Income tax income (expense)	392	(57)	*(785.8)%*
Net income (loss) from continuing operations	**(715)**	**(218)**	***227.5%***
Net income (loss) from discontinued operations	-	-	-
Net income (loss)	**(715)**	**(218)**	***227.5%***
■ **Group share**	**(693)**	**(210)**	***229.4%***
■ **Non-controlling interests**	**(22)**	**(8)**	***174.9%***

Significant Events Affecting Historical Results

Our historical results were impacted by the following significant events that occurred during the course of the financial year ended December 31, 2017

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

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

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

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

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

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

By Decision No.14-DCC-160 dated October 30, 2014, the French Competition Authority authorized Numericable Group, a subsidiary of the Altice Group, to take exclusive control of SFR. This authorization was subject to a certain number of commitments, including those subject to the procedure initiated by the Competition Authority relating to the performance of a joint investment agreement entered into by SFR and Bouygues Telecom on

November 9, 2010 ("Faber Agreement"). Under the terms of this Agreement, SFR and Bouygues Telecom committed to jointly invest in the rollout of a horizontal fiber optic network in a defined number of towns and districts located in high density areas.

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

The obligation to provide distribution services for all Termination Points delivered as of October 30, 2014 within two years;

The drawing up of a rider to the Faber Agreement allowing Bouygues Telecom to order a list of buildings of its choice for the distribution to Termination Points delivered after October 30, 2014 within three months (excluding performance constraints);

The provision of maintenance for the FTTH infrastructure in a transparent and non-discriminatory manner using specially introduced quality indicators.

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

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

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

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

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

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

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

Restructuring

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

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

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

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

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

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

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

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

The residual amount of €32 million was recognized in provisions as of December 31, 2017.

Refinancing of loans

On April 18, 2017 the Group Altice France raised new Term Loans in order to replace part of its existing Term Loans. Altice France repaid two existing tranches, the Term Loan B7 denominated in US dollars and the Term Loan B9 denominated in euros by issuing two new tranches, the Term Loan B11 denominated in US dollars and the Term Loan B11 (SG) denominated in euros. At the time of the refinancing, the Term Loan B7 in US dollars amounted to US$1,414 million and the Term Loan B9 denominated in euros amounted to €296 million. The new Term Loan tranches, the Term Loan B11 in US dollars and the Term Loan B11 (SG) in euros, amount respectively to US$1,420 million and €300 million. Ypso France replaced its existing Term Loan, the Term Loan B7 denominated in euros, by a new Term Loan, the Term Loan B11 (YF) also denominated in euros. At the time of the refinancing, the Term Loan B7 in euros amounted to €843 million. The new Term Loan tranche amounts to €845 million.

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

The Term Loan B7 in US dollars was maturing in January 2024. The new tranche B11 in USD is maturing in July 2025: an extension of 18 months.

The Term Loan B9 in euros was maturing in July 2023. The new tranche B11 (SG) in euros is maturing in July 2025: an extension of 24 months.

The Term Loan B7 in euros was maturing in April 2023. The new tranche B11 (YF) in euros is maturing in July 2025: an extension of 27 months.

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

The Term Loan B7 in US dollars was bearing interest at three-month LIBOR (with a 0.75% floor) plus a margin of 4.25%. The new tranche B11 in US dollars is bearing interest at three-month LIBOR (with a 0% floor) plus a margin of 2.75%. This represents a decrease of 1.50%. Moreover, at the time of the refinancing, the three-month LIBOR was higher than the former floor of 0.75%.

The Term Loan B9 in euros was bearing interest at three-month EURIBOR (with a 0.75% floor) plus a margin of 3.25%. The new tranche B11 (SG) in euros is bearing interest at three-month EURIBOR (with a 0.00% floor) plus a margin of 3.00%. This represents a decrease of 0.25% of the margin and also a decrease of 0.75% of the floor, as the three-month EURIBOR was negative at the time of the refinancing.

The Term Loan B7 in euros was bearing interest at three-month EURIBOR (with a 0.75% floor) plus a margin of 3.75%. The new tranche B11 (YF) in euros is bearing interest at three-month EURIBOR (with a 0% floor) plus a margin of 3.00%. This represents a decrease of 0.75% of the margin and also a decrease of 0.75% of the floor, as the three-month EURIBOR was negative at the time of the refinancing.

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

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

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

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

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

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

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

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

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

The Term Loan B10 in euros was bearing interest at EURIBOR (with a 0.75% floor) plus a margin of 3.00%. The new tranche B12 in euros is bearing interest at EURIBOR (with a 0.00% floor) plus a margin of 3.00%. This represents a decrease of 0.75% with the decrease of the floor as the three-month EURIBOR was negative at the time of the refinancing.

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

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

Closing of the sale of the B2B Press activity

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

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

Altice rebranding

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

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

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

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

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

Completion of the acquisition of 'Numéro 23 Channel'

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

Re-pricing of certain derivative instruments

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

Tax dispute related to VTI

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

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 mainly due to a decrease in our telecom revenue, 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)

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:

(in € millions)	**December 31, 2017**	**December 31, 2016**	Change
B2C	7,254	7,354	*(1.4)%*
B2B	1,857	2,013	*(7.7)%*
Wholesale	1,288	1,323	*(2.6)%*
Media	516	301	*71.7%*
Total	**10,916**	**10,991**	**(0.7)%**

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 compared to the year ended December 31, 2016. This decrease was driven primarily by growing competition and resulting impact on subscriber numbers and pricing pressure on B2C services, mainly on mobile services by low cost market participants and churn on our DSL customers. This was partially offset by an increase in higher value fiber customers (193k 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.

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 mainly due to price reductions on contract pipeline applied in H1 2017 and a downward repricing of the mobile B2B base. Following a management reshuffle and improved pricing and reduction in the contract pipeline, we have observed an improvement in the B2B revenue trend.

Wholesale revenues decreased 2.6% yoy to reach €1,288 million for the year ended December 31, 2017 from €1,323 million for the year ended December 31, 2016. The decrease was mainly due to a decrease in revenues from MVNO operators and a decline in the international wholesale voice business.

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. The increase in other revenues was mainly due to the fact the results of these activities were integrated for a full year in 2017, compared to only 7 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 mainly due to the decrease in revenues described above.

- 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, mainly driven by an increase in content costs incurred with the addition of new exclusive sports and other content.

- 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 mainly driven by an increase in network maintenance costs and customer service costs.

- 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.

(in € millions)	December 31, 2017	December 31, 2016	Change
Operating income	**(28)**	**954**	***(103.0)%***
Depreciation, amortization and impairment	2,754	2,435	*13.1%*
Restructuring costs (a)	673	167	*301.8%*
Costs relating to stock option plans	2	4	*(49.4)%*
Other non-recurring costs (b)	314	278	*13.2%*
Adjusted EBITDA	**3,714**	**3,838**	***(3.2)%***

Depreciation and Amortization and Impairment

For the year ended December 31, 2017, depreciation and amortization totalled €2,754 million, a 13.1% increase compared to €2,435 million for the year ended December 31, 2016. This increase was mainly due to the accelerated amortisation of the SFR brand following the re-branding project announced by the Altice group in May 2017.

Non-recurring expenses and income

For the year ended December 31, 2017, our non-recurring expenses and income 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:

((in € millions)	December 31, 2017	December 31, 2016	Changes
Net restructuring costs	(673)	(167)	*301.8%*
Litigation	(34)	(162)	*(78.8)%*
Gain and loss on disposal of property, plant, equipment and intangible assets	(109)	(51)	*113.9%*
Other non-recurring income and expenses	(164)	(52)	*214.4%*
Non-recurring income and expenses	**(980)**	**(432)**	***126.7%***

(1) Restructuring costs mainly include costs related to provisions for employee redundancies as part of the voluntary departure plan launched in 2017 (see section entitled, *"Significant events having impacted our results for the year ended December 31, 2017"*)
(2) The disputes and litigations include the effect of new allowances recorded during 2017 which were offset by the reversal of the VTI tax litigation provision for an amount of €101 million (*see note 33.1.2 of the consolidated financial statements*).
(3) 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.
(4) Other non-recurring income and expenses were mainly incurred on onerous contract provision related to the expected vacancy of the current SFR campus in Saint Denis (Paris), following the move to the new Altice campus in Paris during the fourth quarter of 2017 (€130 million).

Finance costs (net)

Net finance costs 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. A detailed breakdown of net financial expenses (net) is provided below:

(in € millions)	December 31, 2017	December 31, 2016	*Change*
Cost of gross financial debt	**(1,099)**	**(1,043)**	***5.4%***
Financial income (a)	**209**	**10**	***1990.0%***
Provisions and unwinding of discount	(0)	(34)	*(99.3)%*
Other (b)	(177)	(44)	*301.0%*
Other financial expenses	**(177)**	**(78)**	***127.6%***
Net financial income (expense)	**(1,068)**	**(1,111)**	***(3.9)%***

Cost of gross financial debt

For the year ended December 31, 2017, our interest relative to gross financial debt totalled €1,099 million, a 5.4% increase compared to €1,043 million for the year ended December 31, 2016.

- The gross debt increase related to the issuance of a new debt in October 2017,
- The negative variation in the fair value of certain derivative instruments.

- The refinancing that occurred in October 2017, treated as an extinguishment of the existing debt that led to a charge related to this extinguishment of €42.4 million.

Other financial expenses

For the year ended December 31, 2017, our other financial expenses totalled €177 million, a 127.6% 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.

Finance Income

For the year ended December 31, 2017, our Finance income totalled €209 million, a 1,990% increase compared to €10 million for the year ended December 31, 2016. This increase was mainly due to the gain realised on the restrike of certain derivative financial instruments in July 2017.

Share of earnings of associates

For the year ended December 31, 2017, our share of loss of associates totalled €11 million compared to a loss of €4 million 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 compared to a loss of €57 million for the year ended December 31, 2016. The income was mainly as a result of restructuring costs incurred in the year ended December 31, 2017.

Analysis of the consolidated statement of financial position

The consolidated statement of financial position is presented below:

(in € millions)	December 31, 2017	December 31, 2016	*Change*
Assets			
Goodwill	11,199	11,146	*0.5%*
Intangible assets	6,666	7,600	*(12.3)%*
Property, plant and equipment	6,424	6,021	*6.7%*
Investments in associates	23	46	*(50.3)%*
Non-current financial assets	736	2,131	*(65.5)%*
Deferred tax assets	12	22	*(47.2)%*
Other non-current assets	195	21	*840.3%*
Non-current assets	**25,255**	**26,986**	***(6.4)%***
Inventories	289	235	*22.6%*
Trade and other receivables	3,616	3,212	*12.6%*
Income tax receivable	151	159	*(5.1)%*
Current financial assets	17	4	*298.6%*
Cash and cash equivalents	451	452	*(0.2)%*
Assets held for sale	(0)	59	*(100.0)%*
Current assets	**4,524**	**4,121**	***9.8%***
Total Assets	**29,779**	**31,107**	***(4.3)%***

Total assets decreased by 4.3%, mostly 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 for the year ended December 31, 2016.

This decrease was mainly due to a decrease in intangible assets and non-current financial assets. Intangible assets decreased from €7,600 million for the year ended December 31, 2016 to €6,666 million, mainly driven by the accelerated amortisation of the SFR brand, following the rebranding decision made by the board of Altice N.V. in May 2017.

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/USD 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 for the year ended December 31, 2017 mainly driven in inventories (+€54 million vs December 31, 2016) and receivables (+€404 million vs December 31, 2016). The increase in inventories was seasonal (higher stocks due to year end and Q1 18 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 (year-end being a period of high activity for ad sales in the media business)

(in € millions)	December 31, 2017	December 31, 2016	*Change*
Equity and liabilities			
Share capital	444	443	*0.3%*
Additional paid- in capital	5,403	5,388	*0.3%*
Reserves	(2,920)	(2,221)	*31.5%*
Equity attributable to owners of the company	**2,927**	**3,609**	***(18.9)%***
Non-controlling interests	(85)	(37)	*127.4%*
Consolidated equity	**2,841**	**3,572**	***(20.4)%***
Non-current borrowings and other financial liabilities	16,854	17,171	*(1.8)%*
Other non-current financial liabilities	248	325	*(23.7)%*
Non-current provisions	480	840	*(42.8)%*
Deferred tax liabilities	263	615	*(57.2)%*
Other non-current liabilities	568	617	*(8.0)%*
Non-current liabilities	**18,414**	**19,568**	***(5.9)%***
Current borrowings and financial liabilities	351	485	*(27.5)%*
Other current financial liabilities	1,107	1,155	*(4.2)%*
Trade payables and other liabilities	6,045	5,139	*17.6%*
Income tax liabilities	105	207	*(49.5)%*
Current provisions	350	396	*(11.8)%*
Other current liabilities	566	540	*4.8%*
Liabilities directly associated to assets held for sale	(0)	46	*(100.0)%*
Current liabilities	**8,524**	**7,968**	***7.0%***
Total Equity & liabilities	**29,779**	**31,107**	***(4.3)%***

Consolidated equity

Consolidated equity decreased by 20.4% to €2,841 million mainly due to a decrease in consolidated reserves (resulting from the net loss realised for the year ended December 31, 2017)

Non-current liability

Non-current liabilities decreased by 5.9% mainly driven by a decrease in non-current provisions (€480 million for the year ended December 31, 2017 vs €840 million for the year ended December 31, 2016), mainly driven by 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 for the year ended December 31, 2016 (see note 12 of the consolidated financial statements for more information)

Current liabilities

Current liabilities increased by 7% from €7,968 million for the year ended December 31, 2016 to reach €8,524 million, mainly driven by an increase in trade and other payables, which increased due to, 1) 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 December 31, 2017, our consolidated cash and cash equivalents amounted to €373 million on an actual basis (net of overdraft).

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2013 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. Our total third-party debt (excluding certain other long term and short-term liabilities and finance leases,) as of December 31, 2017 was €11,267 million relating to debentures and €5,082 million relating to loans from financial institutions, including drawings under the Existing Revolving Credit Facilities. As of December 31, 2017, we had not drawn on our Revolving Credit Facility and the entire facility, amounting to €1,125 million remained available. The following table presents the detail of the Group's debt.

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

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 December 31, 2017, our revolving credit facility remained undrawn. 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 specified leverage ratios. 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, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. 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 predict how economic conditions, sovereign debt concerns and/or 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 subsidiaries of the Company is subject to certain restrictive covenants, which apply in the case of debt issued by Altice France to SFR S.A. and its restricted subsidiaries.

The debt issued by the Group's subsidiaries is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant 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 group must either 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 basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

Senior Secured Debt and Senior Debt is subject to an incurrence test as following:

- Senior Secured debt of Altice France is subject to an incurrence test of 4.5:1 (Adjusted EBITDA to Net Debt) and Senior Debt is subject to an incurrence test of 3.25:1 (Adjusted EBITDA to Net Debt),

The Company 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 various revolving credit facilities, which are subject to maintenance covenants. The terms of these facilities are no more restrictive than the incurrence covenants contained in other debt instruments.

The Issuer is a holding company with no direct source of operating income. Therefore, the Issuer will be dependent on dividends and other payments from its operating subsidiaries to meet its liquidity requirements.

Working Capital

As of December 31, 2017, the Group had net current liability position of €8,524 million (mainly due to trade payables amounting to €6,045 million) and a negative working capital of €3,999 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.

Cash flow statement

(in € millions)	December 31, 2017	December 31, 2016	Change
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 provided 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 mainly related to a higher operating loss incurred in 2017 compared to 2016.

Net cash used in 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 provided by (used in) financing activities

Net cash used in financing activities increased by 393.1% 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.

Other disclosures

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 Altice France as of and for the year ended December 31, 2017.

The Group did not enter into any significant contractual obligations and commercial commitments in the periods under review, other than that it entered into an exclusive agreement with Altice Entertainment News & Sport (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.

Following the new and amended agreements, the total commitments of the Group increased by €1,238 million to €5,022 million for the year ended December 31, 2017.

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 Altice France 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 December 31, 2017, our total defined benefit plans liabilities were €124 million. See Note 27 to the audited consolidated financial statements of Altice France as of and for the year ended December 31, 2017.

Post-Balance Sheet Date Events

The following is an overview of key transactions since December 31, 2017 which may have a significant impact on the Group's financial condition and results of operations.

Altice Group Reorganization

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

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

Altice Europe will reorganize its structure comprising Altice France, Altice International and Altice TV.

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

Agreement with ARCEP concerning "Zones blanches" sites

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

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

Change in name of SFR Group SA to Altice France SA

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

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

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

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

Sale of mobile towers

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

Related Party Transactions

Other than as disclosed in the consolidated financial statements of Altice France as of and for the year ended December 31, 2017, the Group did not have any material transactions with related parties during the year ended December 31, 2017. See Note 31 to the audited consolidated financial statements of Altice France as of and for the year ended December 31, 2017.

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 relating to purchase of property plant, and equipment, operating leases or as disclosed below or in the audited consolidated financial statements of Altice France (*note 32*) as of and for the year ended December 31, 2017.

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 U.S. 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 mainly 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 and specializes in turning around struggling businesses and improving the cash generation of existing businesses. 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 December 31, 2017, the Group has access to revolving credit facilities of up to €1,125 million (which was undrawn as of December 31, 2017) to cover any liquidity needs not met by operating cash flow generation.

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 €11,267 million, while our primary floating rate debt obligations were equivalent to €5,082 million.

Foreign Currency Risk

As part of its financial risk management strategy, the Group has entered into certain hedging operations. These are split mainly 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 Altice France 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 Altice France 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 1.2 *IFRS 15 Revenue from Contracts with Customers*

Key Income Statement Items

Revenue

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) datacenter activities, (ii) 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.

Intersegment Eliminations: Intersegment costs, which primarily relate to services rendered by certain centralized Group functions (such content production and customer service) to the operational segments of the Group, are eliminated in consolidation.

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 will supersede all current revenue recognition guidance when it becomes effective for annual periods on or after January 1, 2018. The Group is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and 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 Group has decided to adopt IFRS 15 based on the full retrospective approach.

The Group 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. The assessment phase has now been completed and the implementation plan is in progress. The most significant anticipated effects of IFRS 15 on the Group'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 Group 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 services

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) 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) direct costs related to our call center operations, such as service expenses, telecom consumption subscriptions and energy costs, in our customer services functions.

Intersegment Eliminations: Intersegment costs, which primarily relate to services rendered by certain centralized Group functions (such content production and customer service) to the operational segments of the Group, are eliminated in consolidation.

Other operating expenses

Other operating expenses mainly 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 benefits

Staff costs and employee benefits are comprised of all costs related to wages and salaries, bonuses, social security, pension contributions and other outlays paid to Group employees.

Depreciation and amortization

Depreciation and amortization includes depreciation of tangible assets related to production, sales and administrative functions and the amortization of intangible assets.

Impairment losses

Impairment losses include the write-off of any goodwill or tangible and intangible assets that have been recognized on the acquisition of assets based upon a re-evaluation of the cash generating capacity of such assets compared to the initial valuation thereof.

Non-recurring expenses and income

Non-recurring expenses and income 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.

Interest relative to gross financial debt

Interest relative to 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 mainly include interest costs of finance leases, variations in the fair value of non-hedged derivative instruments and the inefficient portion of hedged derivative instruments.

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.

Net result on disposal of businesses

Net result on disposal of businesses includes the gain/loss recognized on the disposal of our subsidiaries. This line item is presented separately in the consolidated statement of income for the years ended December 31, 2015 and 2016 and for the year ended December 31, 2016. For the year ended December 31, 2017, the net result on disposal of businesses is booked under other expenses and income.

Share of profit of associates

Share of profit 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 expenses

Income tax 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.